FINANCIAL TIMES

World Business Newspaper http://www.FT.com TUESDAY JANUARY 28 1997

Italy
Privatisations driven by Brussels
Page 17

Pensions crisis
Pay-as-you-go pyramid schemes
Martin Wolf, Page 16

Soft X-rays
Sharper focus means safer application
Technology, Page 12

Hungary
Gang wars rage in Budapest
Page 4

Four Japanese banks' ratings downgraded

Credit ratings of four medium-sized Japanese banks were downgraded from "stable" to "negative" by Moody's, the international credit rating agency, sending Japanese bank shares tumbling again. Although the downgrades were expected, the agency's doubts about the Japanese government's ability to prevent further bank closures shocked investors and financial authorities. Page 18; Banks near danger zone, Page 5

Probe ordered into Hanbo collapse

South Korean president Kim Young-sam (left) ordered an investigation into the collapse of the Hanbo steel and construction group, with estimated debts of Won5,000bn ($5.8bn) which opposition political parties described as "the biggest financial scandal in Korean history". The collapse caused the Seoul bourse to fall by 2.9 per cent yesterday. It has also increased pressures on the Kim administration, already reeling from recent protests over a controversial new labour law and Korea's worst economic slump in more than 20 years. Page 18; How Hanbo treasure turned to dust, Page 8

Suez back in the black: Suez, French holding company which has been undergoing substantial restructuring, announced a return to the black with profits of FFr800m ($145m) in 1996 after completing a property sale with a gross value of FFr9bn. Page 20

Swissair threatens action over Sabena: Swissair threatened to write down its 49 per cent stake in Sabena unless the ailing Belgian carrier demonstrates it is meeting cost-cutting targets within six months. Page 19

Britain calls for troops cut: Britain called on China to cut the number of troops it wants to send as an advance party before the territory returns to Chinese sovereignty in July. Page 8

Merrill Lynch hits record: Merrill Lynch, last of the big Wall Street firms to report its earnings, brought a bright season for brokerage and investment banks to a close by reporting record earnings for 1996. Page 19

CNN faces row over Cuba: International television news organisation Cable News Network plans to take the US government to the federal courts if it is refused permission to establish a bureau in Havana. Page 4

GM plans $2.5bn share buy-back: General Motors set the seal on its return to financial health with a plan to buy back $2.5bn of its shares and raise its dividend by 25 per cent. Page 19

China to issue $2bn bonds: China plans to issue some $2bn in bonds on international markets this year, a slight rise on 1996. The issues will be aimed at financing infrastructure projects. Page 8

Grade to quit Channel 4: Michael Grade, chief executive of UK television's Channel 4, is to leave his post later this year to pursue other business interests, his board announced.

Giordano shares hit: Shares in Hong Kong-based clothing retailer Giordano fell 25 per cent after a statement from the company fuelled concerns about its operations in China. Page 19

Japan expects rise in bankruptcies: Japan's finance ministry warned of a further rise in bankruptcies after a record number of people filed for bankruptcy in the 11 months to November. Page 8

Church leads Belgrade protest march: Thousands of people joined a procession led by the head of the Serbian Orthodox church through Belgrade, sending a message to President Slobodan Milosevic that the pro-democracy movement can still muster mass support. Page 2

Cricket: England had one of their best days of their New Zealand tour on the fourth day of the second Test at Auckland, scoring 521 to take a 131-run first innings lead. They then removed three New Zealanders for 56 runs, leaving the home side still 75 runs behind overall.

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STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	6,670.31	(-26.17)
NASDAQ Composite	1,360.38	(-3.45)
Europe and Far East		
CAC40	2,435.17	(+4.83)
DAX	2,994.53	(-3.71)
FTSE 100	4,212.0	(-6.8)
Nikkei	17,334.90	(-354.45)

US LUNCHTIME RATES

Federal Funds	5 3/16%
3-mth Treas Bills: Yld	5.152%
Long Bond	94 7/32
Yield	6.904%

OTHER RATES

UK: 3-mo Interbank	6 1/4%	(6 5/16%)
UK: 10 yr Gilt	100 1/32	(100 1/4)
France: 10 yr OAT	106.25	(106.45)
Germany: 10 yr Bund	101.49	(101.56)
Japan: 10 yr JGB	104.6711	(104.2911)

NORTH SEA OIL (Argus)

Brent Dated	$22.555	(22.77)

GOLD

New York: Comex		
(Feb)	$357.3	(353.4)
London:		
close	$354.75	(352.85)

DOLLAR

New York: lunchtime		
£	1.621	
DM	1.64825	
FFr	5.555	
SFr	1.43	
Y	119.625	
London:		
£	1.6235	(1.6286)
DM	1.6376	(1.6268)
FFr	5.5208	(5.4855)
SFr	1.4146	(1.4046)
Y	119.35	(118.88)
Tokyo close:	Y 119.15	

STERLING

DM	2.6586	(2.6494)

EU-wide tax code urged

France and Germany seeking to eliminate unfair competition as countries head for Emu

By Lionel Barber in Brussels

France and Germany yesterday called for a code of conduct to stop unfair tax competition in the European Union.

Calls for a crackdown on "tax poaching" are increasing as EU governments seek to boost revenues in the race to meet the deficit targets for economic and monetary union, due to start on January 1 1999.

But suggestions that the new code of conduct foreshadows fiscal harmonisation among countries taking part in the single currency zone were played down at a meeting of EU finance ministers.

Mr Theo Waigel, German finance minister, and Mr Jean Arthuis, his French counterpart, insisted - along with the UK - that decisions on tax remained subject to unanimity. In theory, members of a monetary union could still move towards greater fiscal harmonisation outside the EU treaties, bypassing the national veto.

Mr Arthuis said Bonn and Paris wanted to stop "savage competition" in the area of tax. But he added: "There is no question of renouncing the principle of unanimity in fiscal matters or transferring sovereignty [to Brussels]."

Ministers began their public debate with a chorus of German-led complaints about tax dumping. Mr Waigel, who has just forecast that Germany will barely meet the Maastricht deficit target of 3 per cent in 1997, said it was time to stop unfair competition.

Mr Philippe Maystadt, Belgian finance minister, attacked corporate tax regimes which encouraged companies to play countries off against each other - a practice known as "fiscal dumping".

He also complained that countries are poaching savings from other member states through differential tax rates. The argument is that governments are making up the shortfall with taxes on labour and thereby driving up unemployment.

Mr Maystadt railed against a Belgian bank - named by his officials as Société Nationale de Credit à l'Industrie - which he said had encouraged Belgians to siphon savings to the Netherlands through newspaper advertisements.

Ireland offers special tax incentives for large-scale investment, but Luxembourg is most often singled out for criticism because it offers non-residents exemption from withholding tax on savings.

Mr Jean-Claude Juncker, prime minister of the Grand Duchy, said he was ready to negotiate an end to the withholding tax exemption, but only in the context of a broad agreement on tax and social policy.

Mr Mario Monti, EU single market commissioner, has been pressing for steps toward an EU-wide tax regime. Although his ideas have made little headway, officials believe Emu will force countries toward fiscal co-ordination.

Some economists say monetary union will highlight tax distortions among single currency participants; others argue that Emu countries will continue to need flexibility in tax policy having renounced control over monetary policy and abandoned national exchange rates.

The strength of feeling yesterday on tax surprised the Dutch presidency of the EU which had planned to focus debate on completing texts on budgetary and currency discipline in the single currency zone.

This blueprint on the transition to Emu was agreed at last month's EU summit in Dublin after marathon talks between France and Germany. Ministers from each country warned each other yesterday to respect the spirit of the agreement.

Spain's Emu hurdle, Page 3

PepsiCo joins list of groups quitting Burma

By Ted Bardacke in Bangkok

PepsiCo, one of the last US companies with a significant presence in Burma, said it was withdrawing completely from the Burmese market.

The US group joins a growing list of companies which have pulled out of the south-east Asian nation which has been widely condemned for human rights abuses.

Pepsi said it was withdrawing because it wanted to adhere to the "spirit of current US government foreign policy", but it has also come under intense pressure from human rights groups and student organisations.

The company sold off its 40 per cent equity stake in its Burmese bottler in May 1995, but maintained a contract with the bottler to produce and market Pepsi there.

Since then US policy towards Burma has become more strident and US president Bill Clinton has been empowered by Congress to impose economic sanctions at any time.

Last year's partial withdrawal by Pepsi did little to halt the boycott campaign spearheaded by student groups in the US against a company which has positioned itself as a youthful alternative to rival Coca Cola, which is not present in Burma.

Ironically, that boycott campaign forced off university campuses some franchises of the fast food restaurants – Pizza Hut, Kentucky Fried Chicken and Taco Bell – which Pepsi recently announced it would spin off to shareholders.

Pepsi said it had severed supply contracts with its local bottler, who would ensure that all production and distribution of Pepsi products in Burma would be halted by May 31.

Since Pepsi sold its equity stake in Burma last year, the internal political situation there has deteriorated.

Mass meetings of the opposition National League for

Continued on Page 18

Gyll resigns as chief executive of Volvo

By Greg McIvor in Stockholm and Haig Simonian in London

In a surprise move, Volvo yesterday announced the resignation of Mr Sören Gyll as chief executive and his replacement by Mr Leif Johansson, chief executive of Electrolux, the world's leading supplier of household appliances and part of Sweden's Wallenberg empire.

Volvo, Sweden's biggest automotive company, has traditionally been the main industrial counterweight to Wallenburg and Mr Johansson emphasised that he intended to preserve a close relationship with the Wallenberg sphere.

Yesterday's slight rise in Volvo's share price was a telling comment from the market on the company's position in the motor industry and was a recognition of the fact that, for many, Volvo remains the most vulnerable of Europe's car companies after the collapse of its merger with Renault in 1993 following shareholder pressure.

A relatively narrow model range and limited production of about 350,000 units last year have also made it a potential candidate for a merger or a takeover.

Mr Gyll, aged 56, will remain on Volvo's board and advise the company for the rest of the year. Mr Gyll said Volvo faced "a number of important strategic and structural decisions that will have consequences extending far into the future". These demanded continuity and made it logical that a fresh pair of hands took over.

Mr Johansson gave little indication of his plans for Volvo, but hinted he might consider new options, such as building a smaller car. "That is the kind of segment Volvo should at least have a view on," he said.

Mr Johansson, aged 45, is to be succeeded at Electrolux by Mr Michael Treschow, currently chief executive at Atlas Copco, the Swedish engineering group and another Wallenberg controlled company. The switches will take place in April.

Mr Gyll, who had a year of his contract to run, insisted he had been under no pressure to quit - in spite of a disappointing performance last year in Volvo's flagship car and truck divisions. The Volvo board

Continued on Page 18
Lex, Page 18, Leader, Page 17,
Small player exposes its vulnerability, Page 24

Sören Gyll, left, shakes hands with Leif Johansson, named yesterday as his successor as Volvo's chief executive Picture: Jan Collsiöo

Rolls-Royce could face compensation demands

Turbine blade failures cause in-flight engine shut-downs

By Michael Skapinker, Aerospace Correspondent

Rolls-Royce could face compensation demands from airlines after admitting that it will have to modify engines that have suffered turbine blade failures, causing some in-flight engine shut-downs.

The UK engineering group said the problems had occurred in a version of its RB211 engine that has been in service since 1989 on Boeing 747s and 767s, the most widely-used long-haul aircraft.

Rolls-Royce said that none of the engine shut-downs had posed any danger to passengers. The company said it was not unusual for airlines to experience problems of this sort with engines from all manufacturers.

Rolls-Royce refused to comment on a report, to be published today in Flight International magazine, that the engine problems have already cost airlines $200m in additional maintenance and operating expenses. In addition to reliability problems, the engine's fuel consumption has been higher than expected.

British Airways confirmed it was one of the airlines affected by the engine problems, although it said it had not had to shut down any of its RB211s during flights. Other airlines affected are believed to include Cathay Pacific, the Hong Kong-based carrier, and South African Airways.

BA said it used RB211 engines on all 30 of its Boeing 747-400s and on its 25 Boeing 767s. The airline said the wear and tear on the engines was higher than it had expected. But it said: "All equipment from time to time has its problems." BA has also had difficulties in the past with the General Electric engines it uses on its Boeing 777s.

BA refused to say whether it would be claiming compensation from Rolls-Royce. "At the moment our efforts are aimed at restoring reliability. The engines are covered by performance guarantees," the airline said. Cathay Pacific and South African Airways were not available for comment.

Rolls-Royce said it was discussing two options with airlines using the engine. One was to replace the blades with updated versions. The other is to replace the engine core with parts from Trent engines, Rolls-Royce's most recent products. This would create a hybrid engine which Rolls-Royce believes would be more reliable.

The Trent is used on the Airbus A330 and the Boeing 777, both twin-engined aircraft. Rolls-Royce also intends to use the Trent on any future 550-seat aircraft. These plans suffered a setback last week when Boeing said it was shelving plans to build an extended "super jumbo" version of its 747 because of a lack of demand.

Rolls-Royce's orders, Page 6

CONTENTS

More than 500,000 flock to presidential poll in celebration of victory over Kremlin

Chechens cast vote for independence

By Chrystia Freeland in Dzhokhar-Ghala

As they flocked to the polling stations set up across their battered republic, more than half-a-million Chechens yesterday did much more than elect a president and parliament.

The ballot, conducted with all the seriousness and gaiety of a wedding, was Chechnya's declaration of independence from Russia and a laughing celebration of its recent victory over the Kremlin's armies. Voting was so heavy that officials kept the polls open an extra two hours, closing them only at 10pm last night.

Despite the humiliating withdrawal of its soldiers last year, Russian President Boris Yeltsin's rudderless government insists Chechnya remains part of the Russian federation. Yesterday's presidential poll could shatter that frail pretence, with dangerous consequences for Mr Yeltsin's shaky administration.

All the leading presidential candidates advocate independence. By this evening, one of them could already be declared the democratically elected president of the breakaway region. If no candidate wins more than 50 per cent of the total vote, the top two contenders will face each other in a run-off within two weeks

"Today, I went to the polling station with joy, because I was voting for independence for my Chechyna," said Mrs Taisa Karsamauli, a 45-year-old judge. "Of course, Russia will not let us go just like that," Mrs Karsamauli added, with a snap of her leather-gloved fingers. "But the truth is that we have left Russia already."

Mrs Karsamauli said she voted for Mr Aslan Maskhadov, the moderate commander of the Chechen military forces who was the front-runner ahead of yesterday's poll.

Yet, like most Chechens, she said she placed almost equal confidence in all five top presidential contenders.

"There is no difference to me – I could vote for [Shamil] Basayev [the warrior who seized a hospital in southern Russia], [Zelimkhan] Yandarbiyev [the incumbent president] or Maskhadov," said Mr Adam Ismailov, a bearded 30-year-old fighter.

What appeared to matter much more to the entire Chechen population was that the vote was free, fair and procedurally correct.

"We are using the voting procedures which the Organisation for Security and Co-operation in Europe developed in Bosnia," said Mr Vakha Gaisumov, chairman of the Electoral Commission. "We want to show the entire world in what direction our republic is headed by conducting our elections in the most democratic way."

Mr Gaisumov's Polling Station No.41, housed in a partly blown-up building which was once a dry-goods store in central Dzhokhar-Ghala, formerly Grozny, was where refugees from three completely levelled villages in western Chechnya came to vote.

Mr Gaisumov, himself a refugee, put together the voters' list by word of mouth, consulting with relatives and neighbours from his home village also living in the capital.

People not on the list could vote by presenting documentary proof that they had been residents of one of the three villages.

All day long, two buses brought refugee voters to the polling station from the outskirts of Dzhokhar-Ghala. Former inhabitants of the three villages could also vote at polling stations in two other Chechen towns or in a border town in neighbouring Ingushetia.

As a long queue formed on the icy street outside the windowless, unheated building, Mr Gaisumov rushed around ensuring voters were properly registered, checking their right hands been sprayed with indelible ink after they had cast their ballots, and even lending his spectacles to short-sighted voters.

Chechens took special pains to guarantee the safety of international observers, determined to avoid a discrediting repetition of the murder in December of six Red Cross aid workers.

Working in pairs, OSCE monitors were supplied with four armed bodyguards and a two-car convoy for each team. "They tell us we are guarded better than the president," one observer said, "and our hotel is like a fortress."

At Polling Station No.41, there was one Chechen election official with particular reason to revel in yesterday's festival of democracy: Mr Mukharbi Dudayev, the older brother of Dzhokhar Dudayev, the Chechen independence leader who was killed in mysterious circumstances last year.

"Dzhokhar would be happy with his legacy, this is what he struggled for," said Mr Dudayev, standing beneath a portrait of the brother to whom he bears an uncanny resemblance.

"If he were here today, he would say: 'The day for which we have been waiting for three centuries has finally come. We've been moving towards this over the past few years, but now it is here'."

Former Chechen guerrilla chief Aslan Maskhadov, left, votes outside Dzhokhar-Ghala, formerly Grozny, yesterday. Maskhadov is seen as front-runner by most observers Reuter

Berisha tries to assert control

By Kevin Done and Kerin Hope in Tirana

Armed soldiers stood guard around the central bank of Albania and the headquarters of the state television last night as President Sali Berisha's rightwing government took advantage of new powers to try to assert control of the country.

The ruling Democratic party has faced days of violent protests across the country by desperate investors, who have lost their savings in the collapse of a string of fraudulent pyramid finance schemes.

Seven truckloads of soldiers with automatic weapons parked near the Bank of Albania beside the defence ministry and patrolling police vans in Tirana's central Skanderbeg Square underlined the government's nervousness following attacks on government offices, police stations and court buildings in particular in towns in the south of the country.

Prison authorities said yesterday that two inmates were killed in disturbances and a failed attempt to break out of a prison in central Albania late on Sunday. In the north of the country a gathering of several thousand in Shkodra, one of the few big cities where the mayor is not from the ruling Democratic party, was reported to have passed without violence.

Mr Tritan Shehu, deputy prime minister and chairman of the Democratic party, sought yesterday to shift the blame for the growing turmoil on to the opposition Socialist party.

The government has promised to begin to repay savers some of their deposits from the middle of next week from the funds of two failed schemes frozen in accounts of the state banks.

Pyramid power, Page 16

Stoyanov in plea to break deadlock

By Anthony Robinson in London

Mr Petar Stoyanov, Bulgaria's newly installed president, last night called on the country's deadlocked politicians to make the compromises needed to form a caretaker government, stabilise Bulgaria's financial and economic crisis and prepare for elections in May.

His call came hours after the Dutch foreign ministry, as acting European Union president, had expressed its deep concern at recent events in Bulgaria and called for "rapid and effective structural reforms".

Mr Stoyanov said he would give a mandate to form a new government to the ruling Bulgarian Socialist Party (BSP) today, as required by the constitution.

But he appealed to the BSP leadership to hand back the mandate by noon and leave him free to form "an efficient caretaker cabinet supported by all political forces and institutions."

"As of today, no party has stepped back. The opposition Union of Democratic Forces (UDF) calls for elections, and the ruling Bulgarian Socialist Party (BSP) demands the mandate to form a government and introduce a currency board.

"But the EU statement makes it necessary to address the political forces and seek a way out of a crisis which threatens to be lethal for the Bulgarian people," he said.

Mr Stoyanov pleaded with the UDF to "demonstrate understanding" and end its two-week boycott of parliament, and called on MPs of all parties "to work without a break for 10 days".

He asked them to work on three priority projects: amendments to the budget law to allow a government to function until adoption of the 1997 budget, a package of laws related to the introduction of a currency board, and a parliamentary resolution allowing a caretaker government to continue negotiations with the international financial institutions.

The president, who advocated a strongly pro-European and pro-Nato line during his presidential campaign as the UDF candidate, is due to meet Mr Malcolm Rifkind, the British foreign secretary, in Sofia tonight, before flying to Brussels for talks with EU and Nato officials.

Bulgaria is expected to make a $138m Brady bond coupon payment today but its reserves are down to around $500m and it needs to find $1.3m to service its $10bn foreign debt this year.

"Bulgaria needs very rapid reforms because we have large payments to make on our foreign debt in July and we cannot even think about a moratorium," Mr Stoyanov said yesterday.

The Bulgarian lev has been in virtual free fall for the last month, dipping to a new low of 950 to the dollar on Monday from 70 a year ago.

This was before a banking crisis which led to the closure of 14 banks and a run on reserves.

On Friday, the Bulgarian central bank gave up trying to control interest rates and replaced its former central rate with the average weighted monthly yield of short-term treasury bills.

The savings bank immediately doubled deposit rates to 360 per cent annually. But real interest rates remain negative as inflation has risen to hyper-inflationary levels of more than 50 per cent in January.

German cabinet tensions rise on tax and welfare

By Peter Norman in Bonn

The tensions over tax and welfare reform inside the German government escalated dramatically last night when its special commission on securing the future of Germany's pay-as-you-go pension system sharply criticised tax reform plans published last week by Mr Theo Waigel, finance minister.

In an extraordinary move, Mr Norbert Blüm, the labour and social affairs minister and chairman of the pension reform commission, authorised publication of a report which said Mr Waigel's plans would "make the adjustment of the old age pension system to future challenges more difficult".

The report said the tax commission's proposed taxation of pensions would cut net incomes of those on higher pensions and those who had company and private pensions as well as state pensions.

The Waigel plans, the commission report said, "made more difficult a needed expansion of company and private pension schemes". Instead it called for tax incentives to improve the attractions of company and private pension provision.

Mr Blüm's action was a clear sign that the anger he displayed last week on learning of the tax commission's recommendations has not subsided. The longest serving member of Chancellor Helmut Kohl's cabinet, Mr Blüm has traditionally been loyal to the government and has acquiesced in many cuts in Germany's generous welfare benefits.

But he was the sole cabinet member to vote against the tax proposals last week when they were discussed by the leadership of Mr Kohl's Christian Democratic Union.

Eyewitnesses spoke of a furious, red-faced Mr Blüm shouting at the chancellor at last week's meeting and hinting that he might resign.

The labour minister later modified his stance and talked of his determination to oppose the tax proposals from inside the government.

The pension reform commission's report said that Mr Waigel's plans would have only a modest fiscal effect while "spreading uncertainty among millions of pensioners" and costing a lot to administer.

Orthodox church leads Belgrade protest march

By Guy Dinmore and Laura Silber in Belgrade

Tens of thousands of people yesterday joined a religious procession led by the head of the Serbian Orthodox Church through the centre of Belgrade, sending a strong message to President Slobodan Milosevic that the pro-democracy movement can still muster mass support.

It was the biggest protest since up to half a million people celebrated Serbian New Year in an anti-Milosevic rally two weeks ago. However, leaders of the Zajedno (Together) opposition coalition privately say they are worried about how to maintain the momentum of 10 weeks of non-stop protests against the annulment of opposition wins in local elections on November 17.

In an attempt to seal cracks in his ruling coalition and faced with a mounting economic crisis, Mr Milosevic is said to have agreed to embark on a privatisation programme.

According to the independent VIP Daily News Report, the government will sell state property, such as hotels and restaurants, in an effort to ease his cash crisis and pay the police and army.

This is not the first time Mr Milosevic has endorsed privatisation, and a western diplomat cautioned: "We'll believe it when we see it."

Mr Milosevic has recognised only a handful of opposition victories but so far has refused to give up Belgrade and 14 towns. A municipal court in Belgrade yesterday ruled in favour of the original decision which annulled opposition wins in the capital.

Mr Igor Ivanov, the Russian deputy foreign minister, was in Belgrade yesterday to meet opposition leaders and Mr Milosevic.

The Serbian president is hoping Russia will keep the lid on western pressure on Belgrade to restore the election results.

Riot police lifted their cordon around the heart of Belgrade yesterday. At dawn Patriarch Pavle and dozens of priests led a solemn march of tens of thousands of people to mark the day of St Sava, founding father of the Serbian Orthodox church.

The strongly nationalist orthodox church had tacitly backed Mr Milosevic during the 1992-95 Bosnian war, but began to remove its support after the Serbian president abandoned attempts to carve out a Greater Serbia embracing parts of Croatia and Bosnia.

The Serbian president so far has offered piecemeal concessions to the opposition. Zajedno yesterday took control of the city council of Nis, ending more than 50 years of communist rule.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6085. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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Juppé pledges Jewish assets probe

Paris to announce plans for identifying property seized during war

The French government is to announce in the next few days details of a commission to identify and evaluate property and other assets confiscated from Jews during the second world war.

Mr Alain Juppé, the prime minister, chose a speech last Saturday evening hosted by the French Jewish community to announce the initiative, which he described as "a national duty more than just a moral action".

He wanted an evaluation of what had been seized during the wartime German occupation, where the assets were now held – notably any still in the hands of public authorities – and the legal position on their ownership.

His comments at the annual dinner of CRIF, the representative council for Jewish institutions in France, follow discussions with officials from the organisation, which has long called for such an inventory.

Mr Henri Hajdenberg, the lawyer who chairs CRIF, stressed that the most important issue at stake was not the recovery of the assets but the principle of identifying how much had been confiscated to form testimony to the acts of the past.

Report by public sector watchdog has suggested nearly 2,000 confiscated works of art remain in the country's museums

The latest move comes after President Jacques Chirac in July 1995 made an historic admission of the "errors committed by the state" during the second world war, opening a new era in French reflection on the Vichy era.

It also follows the setting up of commissions in Switzerland to identify the whereabouts of funds the Nazis confiscated from Jews during the war or that were left unclaimed in Swiss banks by Jewish victims of the holocaust.

Sweden and Norway have also set up commissions to examine their governments' records during the second world war.

CRIF said the decision by the French government to act now may in part be due to a change in the generation of political leaders, and the reflections triggered by the 50th anniversary of the end of the war.

The organisation said it was impossible to quantify the size of stolen Jewish assets. However, a report by the Cour des Comptes public sector watchdog in 1995 suggested nearly 2,000 works of art still held in the country's museums had been taken during the war.

A book published last year argued that a number of apartments owned by the city of Paris had been confiscated from Jews, forcing the city to postpone its plans to sell off many apartments.

It said yesterday it was proceeding with the sale of more than 20 apartments today, but had carefully examined its records to ensure none of them could have been confiscated from Jews during the second world war.

Andrew Jack

EUROPEAN NEWS DIGEST

Swiss envoy forced to quit

The controversy over Switzerland's wartime dealings with Nazi Germany has claimed its first political casualty. Mr Carlo Jagmetti, Swiss ambassador to the US, resigned yesterday following newspaper reports that he had advised the government to "wage war" against its overseas critics.

His comments, which have incensed Jewish organisations, were contained in a confidential memorandum. They have embarrassed the Swiss government just as it seemed set to turn the tide of international opinion with the establishment of a large fund to compensate victims and survivors of the Holocaust.

Although Mr Jagmetti was due to retire in July, his sudden resignation has underlined the growing turmoil within Switzerland's diplomatic ranks. His departure will increase the pressure to find a more sympathetic figure to front Switzerland's campaign to win round US public opinion. *William Hall, Zurich*

Yeltsin calls off Dutch trip

President Boris Yeltsin has scrapped plans to visit the Netherlands next week on his doctors' recommendation. He is still recovering from the effects of pneumonia and a heart by-pass operation, which have kept him out of the public eye since January 6.

The Russian media had built up Mr Yeltsin's trip as a critical test of his fitness to run the country, and its cancellation is likely to intensify parliamentary calls for him to step down. Mr Yeltsin, who is 66 on Saturday, had been due to meet Mr Wim Kok, the Dutch prime minister and current chairman of the European Union, on February 4 to discuss economic ties. A Russian official said the meeting would now be moved to Moscow at a later date. *John Thornhill, Moscow*

Editorial comment, Page 17

Russian budget passed

Russia's 1997 budget has passed its fourth and final reading in the lower house of parliament, clearing its biggest legislative hurdle after a nine-hour debate. Opposition MPs argued about whether to seek additional guarantees from the government to increase social spending but eventually passed the budget 245-90.

The budget, designed to entrench Russia's successful stabilisation programme, envisages revenues of Rbs434,400bn ($78bn) and expenditures of Rbs529,000bn, leaving a budget deficit of 3.5 per cent (excluding interest payments on government borrowings). However, some economists have branded it unrealistic, suggesting both the income and spending targets are optimistic.

Mr Yegor Gaidar, former premier, said the budget was unlikely to be implemented in full and argued for further reform of social spending and a cut in overall government spending. *John Thornhill*

Hope rises in Italian dispute

Italy's engineering and metalworking workers appeared closer to a settlement of their pay dispute yesterday after Mr Romano Prodi, the prime minister, met labour and business leaders to try to break the deadlock. The talks at Mr Prodi's office were followed by an announcement by Federmeccanica, the employers' group, that it would meet unions during the day to resume talks.

The protracted dispute, which has involved three one-day strikes since it began six months ago, affects 1.7m workers in a sector which accounts for 40 per cent of the country's industrial output. Any deal is likely to set the tone for other pay settlements and prove vital to Italy's hopes of keeping a lid on inflation. *Reuter, Rome*

Another Irish MP to depart

Ms Maire Geoghegan-Quinn, a former Irish government minister, yesterday became the latest member of parliament to say she would not contest this year's general election. She is one of 13 who intend to stand down in what is seen as evidence of growing dissatisfaction with political life.

Ms Geoghegan-Quinn, 46, once a challenger for leadership of Fianna Fail, was the first woman to be appointed to the Irish cabinet when she became a minister in Mr Charles Haughey's government in 1981. She said she was leaving politics because of media intrusion into her private life. Her loss is a big blow to her party, which could now face defeat in the Galway East constituency.

Both the main parties, Fianna Fail and Fine Gael, report increasing difficulties recruiting "suitable" candidates for a general election which must be held before November. *John Murray Brown, Dublin*

Start date for oil pipeline

Construction of an oil pipeline from Azerbaijan to Georgia's Black Sea coast will begin in March, according to Mr Zurab Zhvania, the chairman of the Georgian parliament.

It is expected to carry its first oil from the Caspian Sea by the middle of 1998 and will be one of the first oil routes in the former Soviet region to bypass Russian territories.

The pipeline, with a capacity of around 200,000 barrels a day, is part of the $8bn offshore project overseen by Azerbaijan International Oil Company, a consortium of several oil majors led by British Petroleum.

Routing the pipeline through Georgia will have short-term benefits for its economy, but Mr Zhvania said during a visit to London that long-term political gains were even more important for his country. Georgia is keen to project itself as a safe and stable home for western investment in a region torn by multiple civil conflicts. *Arkady Ostrovsky, London*

ECONOMIC WATCH

W German inflation leaps

The inflation rate in western Germany has suddenly accelerated, according to preliminary figures for January from four Länder (states). These show the cost of living index this month increased by 1.8 per cent compared with a year ago. Prices rose by 1.4 per cent in the year to December. Analysts believe the chances of an early cut in interest rates have thus diminished further. The figure has also highlighted the effect of a severe winter on Germany's economy: seasonal food prices and energy prices are thought to have been particularly affected. However, part of the increase reflects the ending a year ago of the "coal pfennig" – in effect, a tax on electricity consumption – which lowered the index figure for January 1996. This month, the price index has risen by 0.4 per cent over December. *Ralph Atkins, Bonn*

■ Italy's balance of payments was L2,969bn ($1.9bn) in deficit in December compared with a surplus of L5,800bn a year earlier. The December current account deficit was L148bn, against a L4,901bn surplus a year earlier.

Madrid should meet the economic criteria, but politics has tied its fate inextricably to Italy's

Spain faces extra hurdle in Emu race

Preparing for Emu

European politicians once thought war too serious a matter to entrust to military men; now they believe monetary union is too serious a matter to entrust to economists.

If economics were the only consideration in deciding which countries qualified for the first round of European monetary union, then Spain would probably make it and Italy would not.

"While the markets have a tendency to lump Spain and Italy together – under the 'Club Med' banner – as regards Emu, there are strong arguments why this should not be the case," said Mr Colin Warren, international economist with Tokai Bank in London.

Political reality, however, means both will, in all likelihood, be judged together, whatever the economic reality.

"Is it possible that Spain is allowed entry while a Group of Seven country like Italy is pushed out? That is not conceivable," said Mr Henrik Lumholdt, chief economist at Bank of America in Madrid. "Italy has more political clout. The political interest says Spain cannot make it alone, but on purely economic grounds it could."

Most analysts agree that Spain's economic fundamentals are much closer to meeting the criteria of the Maastricht treaty for membership of Emu than are Italy's.

"On pure economics there is justification for Spain's membership," said Ms Ilaria Fornari, Italian economist for J.P. Morgan in Milan. "It is not simply about Spain's ability to meet the Maastricht targets, but about its sustainability."

The world's financial markets also rate Spain's chances of joining Germany in Emu higher than Italy's. The real yield on Spanish long-term debt is currently only 90 basis points more than similar German bunds, whereas the figure for Italian yields is around 150.

Italy has had great success reducing the level of interest on its government debt. This time last year Italian debt paid around 450 basis points more than bunds. But international investors still demand a higher risk premium than from Spain.

One reason is Italy's very high level of public debt, amounting to 123 per cent of gross domestic product. This is more than double the 60 per cent level laid down in the Maastricht treaty and a third of all European Union public sector debt. "The level of Italian debt is scary," said Mr Lumholdt.

In contrast, Spain's public debt amounts to only 66 per cent of GDP, in an economy only half the size of Italy's. "Clearly, the implicit threat to the stability of Emu from Spain is a lot less than Italy," Mr Lumholdt said.

Analysts believe that excluding Italy and its debt at the outset would make Germany's citizens more willing to sacrifice their cherished D-Mark for the euro – the planned single European currency. Italy is likely to resist delay and unlikely to accept being passed over in favour of Spain for the first round.

The two countries also have markedly different chances of meeting the annual budget deficit criterion for Emu. At 4.5 per cent of GDP last year and 3.5 per cent estimated for this, Spain's budget deficit is expected to come close to the 3 per cent Maastricht target in 1997.

Italy, on the other hand, has much further to go to dent last year's budget deficit of 7.4 per cent of GDP. Most economists believe it will be lucky to cut spending to below 4 per cent this year.

Even then, however, Italy's "Eurotax" – a one-off surcharge expected to boost budget revenues by 0.7 per cent of GDP – could be ruled in breach of the Maastricht criteria by the European Commission. A large part of the Eurotax is to be refunded to Italian taxpayers by 1999. "Italy's Eurotax is not a tax at all, it is a loan," said Mr Julian Jessop, chief European economist at Nikko Europe in London.

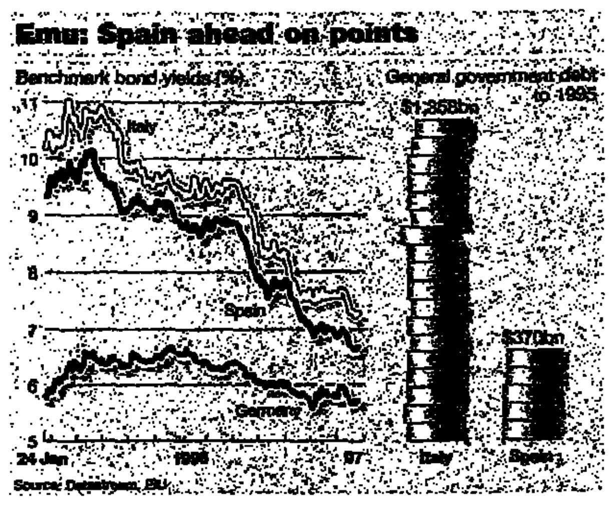
A further complication for Italy is the structure of its public debt. Most of it is very short term or linked to interest rates. A higher proportion of Spain's debt is in fixed and longer term maturities. This, say economists, means Italy is more vulnerable than Spain to a sudden rise in interest payments.

An unexpected shock, such as a political crisis over Italy's widely expected supplementary budget later this year, could push the repayments on Italian debt sharply upwards and throw its budget projections into disarray. "The risk of relying on rate savings as a substitute for structural reforms is high," Ms Fornari said.

Most European investors still expect Italy to qualify for Emu at the same time as Spain, with the proviso that Germany is likely to push for a delay before the Mediterranean economies are allowed to join.

Under this scenario, the so-called "baffling" countries – an acronym for Belgium, Austria, France, Finland, Luxembourg, Ireland, the Netherlands and Germany – would push ahead in January 1999. Italy and a genuinely baffled Spain would follow later, in 2000 or 2001.

Richard Adams and Edward Luce



Euro will mean huge upheaval for coin-handling machines

By Peter Marsh in London

Early next century, if all goes to plan, the 70 or so different coins circulating throughout the nations of the European Union will be replaced by just eight new euro coins of different denominations - a prospect to focus the mind of any manager involved with automatic coin handling.

European monetary union could herald a huge upheaval for the operators of the 7m or so mechanisms around Europe that rely on coins to make them work. The costs in altering existing mechanisms, spare parts and training could be Ecu15bn ($17.8bn), the industry estimates.

Of the 7m machines, roughly half are vending machines dispensing food, drink and other consumer items such as cigarettes. The rest include pay phones and ticketing and gaming machines.

Farthest ahead in their planning for the switch are manufacturers of vending systems, which generally handle a wider range of coins and dispense a greater variety of items than the other types of machine.

Companies in the vending industry are used to handling alterations in the shapes and sizes of coins in purely national currencies. For instance, UK operators are starting to adjust their machines for the new £2 and 50p pieces which will become legal tender later this year.

But a change to a large number of leading European national currencies, all squeezed into a short time, would present the industry with an unprecedented challenge.

"It could be a logistical nightmare," says Mr David Orton, managing director of Coin Controls, a British company which is one of three businesses dominating the $200m a year industry in Europe of selling coin recognition systems, the essential "brains" to a vending system.

The recognition systems normally work by a combination of optical and inductive sensors controlled electronically. The other two leaders in this equipment in Europe are Mars Electronics International and National Rejectors, both US-owned.

Counting only the vending machines, Mr Moritz Röttinger, secretary-general of the European Vending Association, a trade body for the industry, thinks it will cost about Ecu10bn to change over the systems to the euro, with most of the cost borne by his association's members.

Including all types of coin-controlled systems, the cost estimate rises to some Ecu15bn.

"The euro is a big headache for most of us - I can't see much good coming out of it," Mr Röttinger says.

According to the association, the European vending industry accounts for annual sales of some Ecu13bn, including both equipment sales and rental fees plus the value of the consumer items dispensed from the machinery.

For many in the industry, a crunch point will come next year when prototypes of the eight denominations of euro coin, valued at between 0.01 euro and 2 euros, are due to be unveiled. On current reckoning the coins will become legal tender during 2002.

Options for the shapes and sizes of the new coins are being thrashed out in discussions involving the European Commission, the European Monetary Institute (the forerunner of the proposed European Central Bank), and national minting agencies, together with business representatives from industries such as banking, retailing and vending systems.

Mr Günter Kuhl, European sales manager for National Rejectors, says his company, like others in the industry, should be able to handle the switch to the new coins fairly easily - but only if operators give them enough time to avoid bunching of work on converting old machines.

"If it all has to be done in the last year before the switch to the euro in 2002, it will be too late," he said.

While most people in the vending equipment sector fret about the things that could go wrong with the changes, some are more confident. Mr Hans Are, financial manager at Jede, a Swedish maker of vending systems, says he is sure large-scale problems will be avoided through the industry acting in collaboration in time.

Mr Luis Ruiz de Galarreta, international customer services manager at Azkoyen, a Spanish vending equipment supplier, is determined to look on the bright side.

His company is hard at work on new systems that recognise the euro along with existing national currencies. "It will be an opportunity to sell new and better machines," he declares.

Japan adopts UK's wait and see stance

By William Dawkins in Tokyo and Andrew Fisher in Frankfurt

Japanese businessmen and bankers are for the first time taking the prospect of European monetary union seriously.

The initial response to Emu is that it poses, for Japan, an as yet unclear mixture of opportunity and risk.

Japan's broadly positive view of the planned European single currency was expressed in a recent speech in Frankfurt by Mr Toyoo Gyohten, senior adviser to the Bank of Tokyo-Mitsubishi. In fact it was significant that he chose to outline Japan's views on Emu at all.

During a recent visit to Tokyo, Mr Kenneth Clarke, UK chancellor of the exchequer, found the Japanese financial community almost silent on the subject, preferring to sift through information before voicing a view.

But by dropping this reserve, Mr Gyohten demonstrated how the Japanese business community was starting to see the potential benefits of a strong and stable euro. These include savings on foreign exchange transactions within Europe and between Europe and Japan, plus improved global monetary stability.

On the risk side, a successful euro would also pose a "new and quite significant challenge for the yen" by expanding the role currently played by the D-Mark in world currency affairs, including Asian markets, said Mr Gyohten, a former senior Japanese finance ministry and international monetary official. But that too, had an advantage.

"The entry of a strong challenger, the euro, on the Asian scene will provide a very healthy stimulus for the yen and Japanese business," he said, adding that until late 1995, "we Japanese were very much influenced by what I call Anglo-Saxon cynicism" about whether Emu would ever see the light of day".

Japanese businessmen believed it would happen but remained concerned about whether the euro would become a strong, dependable currency.

Concern centred on whether countries wanting to participate in Emu would achieve the necessary economic convergence in time.

If the new currency did prove unstable, "disturbances in the euro could spread to the rest of the world, making the global monetary situation more volatile and fragile," Mr Gyohten warned.

He said, however, that such worries should not be over-stated and did not necessarily represent the majority view. "I think Japanese business is watching the situation – probably holding its breath to some extent – with a delicate mixture of hopes and concerns.".

As to whether the UK should join, he said Japanese business generally believed that the UK should and would do so. "My impression is that Britain will have to join the Emu scheme sooner or later."

UK banks and securities houses in Tokyo are working overtime preparing Emu presentations for clients and a seminar by the European Union-Japan Industrial Co-operation Centre tomorrow has attracted interest from more than 200 people.

The reason for the new euro-interest from Tokyo is obvious.

Japanese manufacturing's substantial investment in the UK – 40 per cent of the country's total direct investment in the European Union – and the large number of Japanese banks and stockbrokers in the City of London mean Japanese and UK interests are closely aligned. Clearly, it is Japan's interests to have a stable link between sterling and the euro, and to safeguard its stake in London.

On the whole, the UK government strategy of withholding its decision on whether or not to join Emu until it is convinced that membership would serve its economic self-interest, is well received in Tokyo.

"It is not bad for us and for the rest of the world if the UK stays out for the moment. We like to have a counterpart in Europe which is an independent nation state," says Mr Yoshio Suzuki, Japan's shadow finance minister in the opposition New Frontier party.

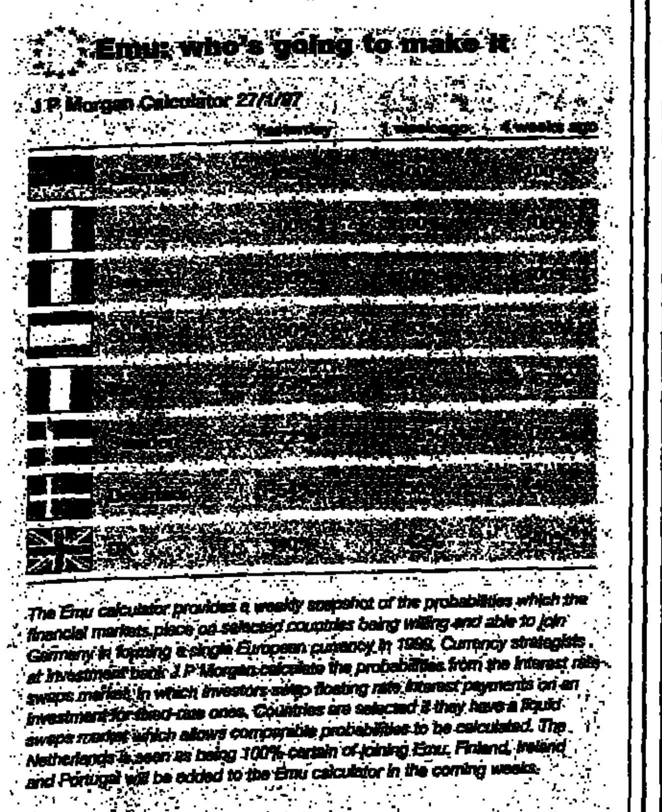
But he and several senior bankers point out they expect, with some relief, a Labour government to be more positive towards the euro.

Why the relief? As Mr Gyohten points out, there is considerable doubt in Japan as to whether London could really survive as a leading financial centre if Britain did not join Emu.

Another senior Japanese banker, a former diplomat, is more blunt. He points out that even if Britain joins Emu, the City of London will find it hard to compete in trading in the euro and euro-denominated instruments against the combined forces of Frankfurt, Paris, Brussels and Amsterdam.

The continental four could well act as a single currency market, he believes. If the UK was an outsider, the City's access to single euro currency markets might be impeded. "Japanese financial institutions would then suffer some frustrations. That is why we are so anxious to get some more information."

But Mr Gyohten is convinced Britain's enlightened self-interest will ultimately prevail. "Probably, the majority view of Japanese business is that Britain will come along. In the interests of the United Kingdom, they [Japanese businessmen] think that participation in Emu will be quite necessary and even indispensable."



The Emu calculator provides a weekly snapshot of the probabilities which the financial markets place on selected countries being willing and able to join Germany in forming a single European currency in 1999. Currency strategists at investment bank J P Morgan calculate the probabilities from the interest rate swaps market, in which investors swap floating rate interest payments on an investment for fixed-rate ones. Countries are selected if they have a liquid swaps market which allows comparable probabilities to be calculated. The Netherlands is seen as being 100% certain of joining Emu. Finland, Ireland and Portugal will be added to the Emu calculator in the coming weeks.

Market expectations of Emu entry have slipped recently in Spain, Sweden and Italy: Expectations of Emu entry also moderated in the UK.

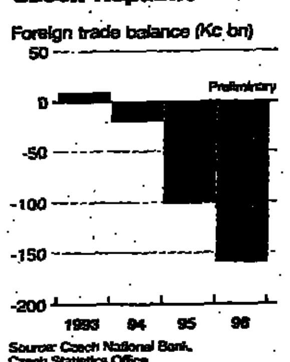
NEWS: EUROPE

Soaring currency hits exports

Czech trade deficit at record level

By Vincent Boland in Prague

Czech Republic



Source: Czech National Bank, Czech Statistics Office

The Czech Republic's foreign trade deficit reached a record Kč160.3bn ($5.8bn) last year as a slowdown in western economies and the strength of the koruna left exporters struggling.

When a surplus on services, likely to be Kč50bn in 1996, is deducted, the country's current account deficit last year is expected to be about 7 per cent of gross domestic product. That is one of the highest levels in the world, placing it alongside Malaysia and Thailand among countries with high external deficits.

The result for 1997 is expected to be even higher, at 8 per cent of gross domestic product, because of sluggish economic growth and the soaring koruna.

The latter has risen by about 5 per cent against the main western currencies since last summer, reaching an all-time high against the D-Mark earlier this month.

The overall balance of payments deficit, however, is reduced by high tourism revenues, and the central bank also has large foreign exchange reserves.

Last year's deficit caused few surprises although it was at the high end of pessimistic expectations. It is unlikely to lead to any immediate policy change but will add to pressure for the koruna to fall.

The central bank has the freedom to reduce the value of the currency by around 10 per cent against the US dollar and D-Mark, against which it is fixed, without a devaluation being necessary, because the koruna is currently at the top end of its 7.5 per cent upper band.

The most worrying aspect of the deficit, economists said yesterday, was that exports had stagnated recently while imports had kept rising. While much of the import bill is for machinery and technology which should help Czech companies modernise, there are few signs so far that industry is becoming more efficient.

There were also high imports of cars and consumer goods. A sharp real rise in retail sales late last year suggested Czechs spent heavily on luxury goods, preferring to spend their money rather than leave it with banks, which were hit by a series of well-publicised failures in 1996.

"More spending is exactly what we do not want at the moment," said Mr Vladimir Kreidl, an economist at the investment bank Patria Finance.

In recent weeks, the government has introduced some technical measures to help exporters but has rejected demands for a devaluation or import surcharges as it believes industry must restructure.

It is also moving to clean up the country's unruly capital markets, which are blamed for weak inflows of long-term foreign capital and for damaging the country's reputation as an investment location.

Spanish government tries to deflect fire

By David White in Madrid

Spain's centre-right government is preparing to heighten a feud with the opposition over charges that the previous Socialist administration let Pta200bn ($1.5bn) slip out of the public purse.

The dispute involves some 600 large tax demands that are deemed to have lapsed. About half are believed to be for corporate tax. Mr Rodrigo Rato, finance and economy minister, said the government would demonstrate that negligence by the Socialist administration had led to an effective fiscal amnesty.

The first recriminations about "delays and irregularities" in the handling of tax investigations were made two weeks ago by Mr Juan Costa, state secretary for finance. He is due to appear in parliament tomorrow to justify the allegations. Although the government has steered clear of direct charges of corrupt practice, members of the governing Popular party have accused the Socialists of favouring their business allies.

The Socialist party, which was in power from 1982 until last spring, has denied the insinuations.

Mr Felipe González, party leader and former prime minister, added fuel to the fire by challenging the government to disclose the names of companies involved in the tax cases.

Under current Spanish law, tax claims against individuals or companies expire after five years, but this period can be extended if the tax authorities open an official investigation.

After a long legal wrangle over the workings of this "stop-the-clock" rule, the Supreme Court set a precedent last February, just before the general election. In a case involving a paper manufacturer it judged that the five-year rule could not be suspended if tax inspectors failed to wind up their case within six months.

For many political observers, the government's concentration on its predecessor's record highlights its own difficulty in adapting to the exercise of power. Almost a year after winning its first general election victory, they say, the party continues to behave as if it were in opposition.

The government has not missed the opportunity of pointing out the coincidence between the Pta200bn figure cited in the tax allegations and the amount it is aiming to save through this year's freeze on public sector pay. This is the most unpopular of the measures taken so far in Spain's drive to meet the budget conditions for European monetary union. The message is that the pain might not have been necessary if the Socialists had handled their affairs better.

Felipe González: 'name names' challenge to accusers

Booming business brings bombs to Budapest

Criminal gangs fighting to control Hungary's flourishing sex industry are bringing mayhem to the streets of what was once considered one of Europe's safest cities, writes **Virginia Marsh**

Once one of Europe's safest cities, Budapest is being rocked by a spate of gangland bombings and shootings. More than a dozen such incidents in as many weeks culminated in an anti-tank mortar attack on a nightclub on New Year's Eve, and there have been more grenade explosions since.

Police say the attacks are part of a power struggle between organised criminals whose rise has been one of the worst by-products of Hungary's transition to capitalism.

One of those killed before Christmas was a well-known pimp, active in a flourishing sex industry that ranges from producing pornography through to trafficking and selling women and children for sexual exploitation.

"There's a new fight going on between the Ukrainian and Hungarian mafias," says Ms Zsuzsa Kadar, a trade union official active on women's issues. "It used to be that the Ukrainian pimps controlled the bar, disco and hotel prostitutes and left the Hungarian pimps with the streets. Now, the Ukrainians want a bigger share."

Prostitution is nothing new for Hungary but it has exploded, like the rest of the sex industry, since the collapse of communism.

Ms Kadar draws parallels between Budapest and Bangkok, Asia's sex capital. She says there are some 60,000 prostitutes: from those who discreetly target smart city-centre hotels to the barely-dressed women who parade, day and night, along the streets of the city's 8th district – to the fury of local residents and the parents whose children must walk past them on their way to school.

Thousands more work as dancers and hostesses in bars and night-clubs or in pornography. It is estimated that between 100 and 120 feature-length pornographic films are made in Hungary each year, mainly for western European markets – something which is tolerated because of the large sums of money involved. This has helped keep alive the country's once important film industry, which has been hit badly by the post-Communist recession.

Much of the pornography is made by foreigners, who, to the concern of the police, are increasingly active in the local sex industry. The growing involvement of international criminal groups, according to police and activists, is a significant factor behind the upswing in migrant women and children working in the industry.

"Hungary is both a source [for the sex industry], a point of transit and a destination," says Ms Antonia Burrows, a British university lecturer who has been active in women's groups since moving to Hungary in 1988. "The Budapest-Vienna axis is now the most important east-west route and Budapest is where the deals are made."

The interior ministry estimates about a third of prostitutes in Budapest are immigrants, many of them from neighbouring Ukraine and Romania. Like many Hungarian prostitutes, some end up further west – in Austria, Belgium or the Netherlands. Police in Vienna estimate that two thirds or more of prostitutes working there are foreign.

> Pornographic films have helped keep alive the country's once important movie industry

Many are driven to prostitution by the widespread poverty and mass unemployment caused by the transition from communism. Others are tricked into the sex industry after answering innocent sounding advertisements offering good salaries in the west for au pairs or waitresses.

The Geneva-based International Organisation for Migration says it is easier and less expensive to bring women from the region to western Europe than it is from other developing countries. Distances are shorter, citizens from many former east bloc countries no longer need visas and, as the region is so close to the European Union, traffickers can easily afford to replace women after a short while with new recruits.

It says countries in the area are ill-prepared to combat the growing global trade in migrants – a business which the United Nations estimated in 1994 was earning criminal organisations up to $3.5bn a year.

Part of the problem, according to the IOM, is that trafficking in human beings is not a crime in many states and that, in others, the penalties are often "absurdly low". Along with other groups, it is pressing for greater co-ordination on migrant trafficking between European countries, including better extradition procedures.

"The criminals slip over the border and laugh at you from the other side," says Ms Burrows. "The women when caught are all too often deported. Instead, they should be granted temporary residence rights and encouraged to give evidence."

The issue has begun to receive more attention since Ms Anita Gradin, a former Swedish immigration minister, became the EU justice and home affairs commissioner two years ago. Ms Gradin, who says the fight against organised crime and drugs is her top priority, is concerned, among other things, that criminal groups are moving into migrant trafficking because the risks are so much lower than for drug smuggling.

Ms Kadar believes greater awareness of trafficking and sexual exploitation and an education campaign aimed at school children is one of the few effective means of combating what, she says, is already a deeply entrenched industry.

Few hold out much hope that the police, tainted by their years as agents of the Communist regime and now demoralised by internal corruption scandals and by low status and pay, will be able to deal with the problem in the immediate future.

Women's groups say the authorities are in a quandary over how to deal with the sex industry but that, faced with a barrage of criticism over the recent shootings, the main thrust of policy is to protect society against the industry, rather than to help prostitutes or the victims of trafficking or to stop it spreading further.

"The sex industry is all around us," says Ms Kadar. "But in this country it is still a taboo subject."

NEWS: THE AMERICAS

Network may sue Washington to get bureau approved

CNN in row over Cuba

By Raymond Snoddy in London

Cable News Network, the international television news organisation, is planning to take the US government to the federal courts if it is refused permission to establish a bureau in Havana.

After detailed talks with Mr Fidel Castro, the Cuban president, CNN was given permission to set up the operation last year. However, the Atlanta-based group founded by Mr Ted Turner has found its plans held up by the need for US government approval.

The last US news organisation reporting from Cuba was expelled 30 years ago, but the current problems arise from the US trade embargo with Cuba. Permission has to be obtained under Trading With the Enemy legislation and the Helms-Burton Act, intended to prevent companies from investing in Cuba.

The issue will go to President Bill Clinton for a final decision. Mr Tom Johnson, chairman of the CNN News Group, who was in Washington yesterday to continue lobbying, said he was "guardedly optimistic" that permission would be granted.

"In the event we are denied approval we will seek redress in the US federal courts," said Mr Johnson. Lawyers specialising in the First Amendment, which guarantees freedom of the press, have already been hired. If that approach did not work, Mr Johnson said he would try to get legislation initiated in Congress.

"There is no more important principle than freedom of the press," said Mr Johnson, and this applied particularly when the obstacle had been created by a country which was a bastion of that freedom.

Last week Mr Johnson met Mrs Madeleine Albright, the new US secretary of state, to discuss the issue.

"We have been advised that a recommendation to President Clinton will be made shortly," the CNN chairman said.

CNN has a team of five ready to begin Cuban coverage as soon as permission is given. There will be two local hirings but the bureau chief will be a CNN staffer with a Latin American background, Ms Lucia Newman.

The Cuban-American National Foundation, a Miami-based group opposed to communist rule in Cuba, has raised no objection to a CNN office in Cuba, although it would like to see other news organisations receive the same permission.

In March CNN will launch its CNN en Español for Latin America from its headquarters in Atlanta. The city was chosen rather than Miami to avoid direct political pressure from Miami-based lobby groups.

Former US president Jimmy Carter has attacked US legislation tightening the economic embargo on Cuba, saying it is the "worst mistake" a US administration has ever made, Canute James reports from Kingston.

"It tends to make [President Fidel] Castro look like a David fighting against a Goliath, making him a hero to some people," Mr Carter said during a visit to Kingston. The Helms-Burton Law, which threatens penalties against foreign companies and businessmen doing business involving nationalised property in Cuba, allows Mr Castro "to play the martyr while doing little to advance democracy in Cuba".

Mr Carter said the law gave Mr Castro "an undeserved excuse for his own economic and political failures and for his inability and unwillingness to grant the Cuban people the freedom and democracy they deserve".

Foreigners plead to be heard

By Bruce Clark in Washington

Dunkin' Donuts, the fast-food chain that President Bill Clinton used to patronise in his native Arkansas, is about as American in most people's minds as baseball or apple pie.

But if present political trends continue, the company may soon be denied the opportunity to contribute to US political parties because it is foreign-owned – part of the UK-based food, drink and retailing conglomerate Allied Domecq.

As controversy over the role of "foreign money" in US politics grows, so does the pressure for tighter restriction – at least on a voluntary basis – of the political donations made by companies with non-US parents.

The Democratic National Committee, which has had to return $1.5m in contributions from "questionable sources" – mostly with Asian business connections – announced last week that it would no longer take money from the US subsidiaries of foreign companies.

The gesture was less dramatic than it sounded, because it did not immediately affect two party war chests that are used to support Democratic candidates in the House and Senate respectively.

But a senior official at one of those funds, the Democratic Congressional Campaign Committee, told Roll Call, the Capitol Hill gossip sheet, that it also expected to start turning away the money of foreign-owned companies. The Senate fund said it would continue to go by the law, which bars direct donations from foreign companies but allows their US subsidiaries to contribute.

The idea of foreigners buying influence in US politics, and access to the president, has touched a raw nerve – and the White House has been embarrassed by revelations about the zealous fund-raising activities among Asian and Asian-American businessmen by Mr John Huang, a Taiwanese-American banker and former DNC official.

President Bill Clinton admitted last month that it was "clearly inappropriate" that Mr Wang Jun, the head of a Chinese arms concern, had been entertained in the White House after making connections with DNC fund-raisers.

But businesses that are long-established in the US, and happen to have foreign parents, are dismayed at the prospect that they will be denied the ability of make their voice heard on the same basis as their US-owned competitors.

Mr Todd Malan, a spokesman for the Organisation for International Investment, which represents US subsidiaries, said such restrictions would be amount to unfair discrimination. The ownership of multinationals whose stock was heavily traded in more than one stock exchange was often difficult to pin down, he said.

A spokesman for MCI, the US telecoms operator which has announced a $20bn merger with British Telecommunications, noted that the current controversy mainly concerned contributions to political parties – as opposed to the funding of individual campaigns by pressure groups known as "political action committees".

MCI had organised PACs in support of individual candidates and it expected to continue doing so, but it would also abide by any code of conduct set by the parties. Mr Robert Stewart, the company spokesman, said: "The parties have the right to set their own rules."

Reform plan stirs Toronto

Opponents even want to secede from Ontario province to save the city, writes **Bernard Simon**

Visitors to Toronto are unlikely to enthuse about the scenery or the weather. Some feel the most impressive sight in Canada's biggest city is the bulbous retractable roof of the SkyDome baseball stadium, firmly shut at this time of year to keep out snow, freezing rain and ice pellets.

Yet Toronto has no shortage of fans. Clean and safe streets, efficient municipal services and vibrant ethnic neighbourhoods help make it one of the world's most admired cities. A task force of five civic leaders concluded last year: "Greater Toronto is one of the few city-regions that combine all the ingredients for social and economic success."

But passionate debate has erupted in recent weeks about whether that success can be sustained – in the face of a blizzard of local government reforms proposed by the provincial government of Ontario.

The debate has been uncharacteristically angry. One dissident group even suggested that Toronto, which has about a quarter of Ontario's population, should secede from the province. At the same time, a columnist in the Toronto Star, supporting the proposals, accused the "downtown elite" of working themselves into a "righteous froth".

The province's reforms are part of the governing Progressive Conservatives' "common sense revolution", designed to shrink the public sector and improve the efficiency of what is left.

They also reflect a drive among financially strapped governments across Canada to push responsibilities – and the financing headaches that go with them – to the level of government below.

Ontario is in an especially tight corner. The Conservatives, who took office in mid-1995, have promised both to eliminate a budget deficit of

Toronto's SkyDome and CN Tower: clean and safe city

C$10bn (US$7.4bn) by 2001 and to slash income tax rates.

Under the reforms, six municipalities that make up metropolitan Toronto would merge in a single "mega-city" of 2.3m people. The number of city councillors would fall from 120 to 44, and the government has promised big savings by rationalising municipal bureaucracies.

The government also plans to "disentangle" provincial and municipal finances. The province would gain tighter control over education by funding schools entirely from general tax revenues. At present, a portion of municipal property taxes goes to education.

Local authorities would then be free to use property taxes entirely for local services, including some functions now financed largely by the province.

Critics of amalgamation contend it is a solution to a non-existent problem. They question whether the anticipated savings will be realised, and worry that one big municipality will have less incentive to maintain and revive old neighbourhoods in central Toronto, a policy that has helped keep urban decay in check.

But the angriest protests are over the province's plan to include social services among functions to be shifted down to local authorities and financed out of property taxes.

Under the proposals, municipal funding of welfare assistance, child care and hostels for the homeless would climb from 20 per cent to 50 per cent. Municipalities would gain total responsibility for low-income housing and public health.

Toronto would end up with a disproportionately heavy burden. About 18 per cent of households have an annual income of less than C$20,000 (US$14,840), more than double the proportion in the affluent suburbs that ring the city.

As with most urban areas, Toronto also has more senior citizens, disabled people and single-parent households. It accounts for 45 per cent of Ontario's public housing.

Generous social security benefits are widely cited as a cornerstone of Toronto's famed civility. The city has no slums and relatively few homeless people. It recorded 60 murders last year, just two more than Buffalo, New York, the nearest US city, with a population only one-eighth of Toronto's.

Critics assert that current property tax rates would fall far short of the cost of social services, especially when demand for those services rises in tough times.

Ms Anne Golden, who chaired last year's task force, said the reforms would "set in motion a downward spiral of service cuts, tax increases and assessment loss – the very downward spiral that has devastated American urban centres and that we have so successfully avoided up to now".

The Board of Trade of Metropolitan Toronto, normally a bulwark of Tory support, has also condemned the proposals. It estimates the average homeowner would face a tax increase of C$350 a year. Business taxes, already among the highest in North America, would also soar.

Mr George Fierheller, the board's president, says: "It is not reasonable to hold local councils, local businesses and local residents responsible for a local burden of social need which arises from economic conditions which have no relation to, or respect for, municipal boundaries."

The government aims to push all its proposals through the provincial legislature this spring. It has refused to be bound by a plebiscite on amalgamation that the six municipalities plan to hold next month.

Mr Mike Harris, the province's premier, indicated last week he might compromise on social services financing by setting up a buffer fund with contributions from the province, the new "mega-city" and other, wealthier municipalities in the region.

But this concession is unlikely to satisfy many critics. The stage is set for a most unToronto-like confrontation in coming weeks.

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NEWS: WORLD TRADE

EU 'should ease anti-dumping rules for prospective new members'

Brittan in offer to E Europe

By Guy de Jonquières in Brussels

The European Union should be ready to exempt imports from central and eastern European countries from its anti-dumping regime, provided they enforce EU rules on competition and state subsidies to industry, Sir Leon Brittan, Europe's trade commissioner, said yesterday.

Sir Leon was responding to a demand by Mr Vladimir Dlouhy, the Czech Republic's trade and industry minister, that the EU stop applying its anti-dumping policy to central and eastern European countries as soon as they begin formal negotiations to join the EU.

The commissioner told an east European trade seminar in Brussels that such a move would depend on whether the Commission's planned assessment of the countries' membership applications found they were applying EU competition and subsidies rules effectively.

Though several of the countries had passed laws intended to mirror the EU rules, they still had to show they were putting them into practice, he said. If the Commission found that to be the case, he would press to have the anti-dumping regime lifted.

Sir Leon said the EU planned to relax its policy by allowing greater flexibility to central and east European producers in carrying out their promises to Brussels to raise the prices of dumped products.

Dumping is defined as exporting products at artificially low prices, which injure producers in importing countries.

If the EU finds products have been dumped, it can impose special duties on them or require offending exporters to raise prices.

The Brussels seminar was organised by the Commission in an effort to reduce trade frictions with central and eastern Europe. It was attended by ministers and officials from the 10 applicant countries, as well as by senior EU officials and businessmen.

Although the number of EU anti-dumping measures against exporters in central and eastern Europe has fallen sharply – to 11 last year from 20 two years previously – the policy was criticised by government representatives from the region yesterday.

Mr Dlouhy said some EU industries, notably steel, seemed to view anti-dumping as a way of solving problems of competitiveness, rather than as a legitimate defence against unfair trade practices.

A senior Dutch foreign ministry official told the seminar his government wanted to use its six-month EU presidency, which began this month, to press for greater transparency in the handling of anti-dumping cases.

Mr Frans Engering praised Sir Leon for curbing abuse of the EU policy by making procedures fairer.

But Mr Engering said that the Commission was still not consulting closely enough with member states, which were supposed to take the final decisions on these cases.

The virtue of virtual warehousing

Accountants dream up scheme to short-cut EU customs red tape

By Jim Kelly, Accountancy Correspondent

The European Commission has backed a plan to cut the cost of importing manufactured goods into the EU by the setting up of "virtual warehouses" to co-ordinate payment of customs tariffs.

Tax officials from all 15 member states have been briefed on the scheme, put forward by the accountancy firm KPMG along with an unnamed large foreign manufacturer and an unnamed EU member state.

A Commission spokesman said: "We are very much in favour of this project, which seems to us a model case having very positive effects on other companies."

Mr Terry Shaw, a UK-based lead partner for KPMG's European customs practice, said: "This is likely to be implemented this summer and the ramifications of its implementation will revolutionise cross-border trade."

However, individual national tax authorities, while privately welcoming the initiative and any move which simplifies taxation in the EU, indicated that securing unanimity on the issue would be difficult.

At the moment, large manufacturers which import into several EU states have to pay customs tariffs in each one – dealing in each case with different regulations and valuation rules, as well as exchange rates.

Under the KPMG scheme all tariff calculations for an importer would be harmonised and centralised, probably at its European headquarters. Each member state would subsequently receive its rightful allocation of tax.

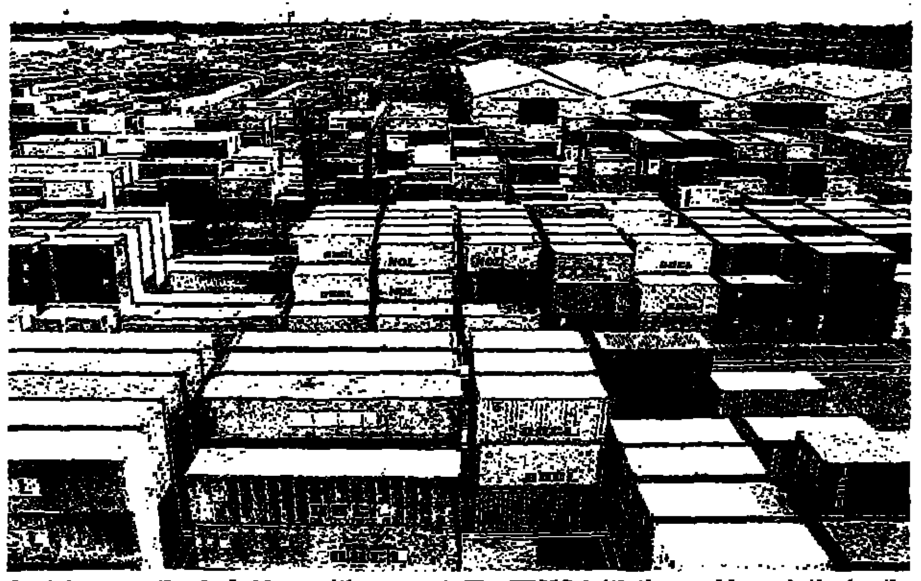
"No longer will, for example, a foreign car importer have to deal with up to 15 customs authorities. This can be onerous. It should make the control of imports into the EU much easier," said Mr Shaw.

KPMG said "blanket warehousing" would allow companies to "cut red tape and save businesses hundreds of thousands of pounds". A specific scheme for one client was presented to the Commission's customs warehousing technical committee last week. Mr Shaw said there was already provision for such arrangements within the EU's Customs Code.

If successful, the scheme would be adopted by many importers and would mesh with the growing trend for large multinational companies to bring accounting operations together within so-called "shared service centres".

As a model, it could also be used to simplify the collection of trade statistics. However, the scheme depends on each member state being sure it will secure its rightful share of tax. It also requires harmonisation of procedures in what is at present a diverse tax regime within the EU. While the level of duty is uniform, other factors vary widely.

"There is still a long way to go on this," a tax official with one member state said. "There have been several attempts to solve this problem – we have long been pushing for simplification and this shows what is possible."



Containers on the dockside awaiting export. The KPMG initiative could revolutionise the paperwork involved in importing manufactures to the EU

Pretoria fails to advance EU talks

By Roger Matthews in Pretoria

South Africa and the European Union made little progress towards bridging their differences over terms of a new trade and development agreement during three days of talks in Pretoria which ended yesterday.

Mr Zavareh Rustomjee, director-general at South Africa's department of trade and industry, said he had been "extremely frank" in spelling out his country's position which was aimed at securing a deal "very much broader than that of a narrow trade agreement". He believed negotiations would stretch on through the year.

Mr Rustomjee said much time had been spent attempting to understand the other side's proposals. "We have not reached the point of trading on any particular issues. No concessions have been made by either side," he said.

South Africa has challenged the EU's negotiating mandate, claiming it ignores pledges made to Pretoria at the time of the transition to democracy, that it fails to take account of trading realities in the southern African region, and unfairly discriminates against its agricultural products.

The EU negotiating team stressed it would be impossible to make progress until South Africa put specific proposals on the table. It had sent a full team to Pretoria for that reason, but complained the South Africans were not prepared for the detailed work essential to any trade negotiations.

The EU last year rejected South Africa's proposal for full access to the preferential trade terms granted to African, Caribbean and Pacific countries under the Lomé Convention, but Pretoria said it was willing to negotiate a qualified protocol.

The next round of talks is due to be held in Brussels next month.

WORLD TRADE NEWS DIGEST

Ecuador seeks pipeline bids

The Ecuadorean government has called for bids to build and operate a 514km oil pipeline from Sacha, in eastern Ecuador, to Balao, on the north-western Pacific coast. This will alleviate a transport bottleneck which is limiting crude production to around 385,000 barrels a day.

Oil is Ecuador's biggest export, with crude and derivatives amounting to $1.6bn, or 36.4 per cent of total exports from January to November, 1996. Lack of transport capacity has deterred private oil companies from investing in oil exploration and extraction.

Mr Alfredo Adum, the energy minister, said the pipeline contract could be awarded by May. Construction, requiring an investment of $400m, should be completed in 1999. The winning bidder must provide storage facilities for up to 750,000 barrels of crude at Sacha and 2m barrels at Balao.

This decision to allow the private sector to build and run a pipeline comes after repeated setbacks for earlier projects. In 1995, a bidding round for the private sector to expand and then operate the state pipeline was called off amid fierce opposition from oil unions and the military. *Justine Newsome, Quito*

Emirates buys Rolls engines

Rolls-Royce of the UK said yesterday it had sold Trent 700 engines worth $500m to Emirates, the Dubai-based carrier, for its new Airbus A330s. The UK group said Emirates was the only airline in the world with an all Rolls-Royce fleet and was now one of its biggest customers.

Emirates has ordered 16 twin-engined A330-200s with options on a further seven. Aircraft deliveries are due to begin in 1999 and to continue at four a year until 2002. The airline uses Rolls-Royce Trent 800 engines on its Boeing 777s. It operates three 777s and will take delivery of four more this year. *Michael Skapinker, London*

Sherritt defies US sanctions

Canada's Sherritt International Corporation, one of the first foreign investors in Cuba to face sanctions under the US Helms-Burton law, has signed a new joint venture on the island to convert sulphurous gas from Cuban oil wells into electricity. The project, whose cost is estimated at C$35m (US$25m), brings together Sherritt, the Cuban state oil company Cupet, and Cuba's electricity generating board, Unión Eléctrica. They will each hold a one-third share in the joint venture company, Energas.

Energas will build and operate a plant at Cuba's premier beach resort of Varadero that will treat and clean sulphurous gases produced from local oil wells and convert them into electricity for sale to the national grid.

Executives from Sherritt, which has investments in Cuba in nickel mining, oil exploration and farming, were barred from entering the US last July under the US Helms-Burton law that seeks to curb foreign investment in Cuba. *Pascal Fletcher, Havana*

■ Pratt & Whitney Canada, the world's leading small turbine engine producer, has signed a partnership pact with Aviation Industries of China.

A joint venture company based in Hunan province will make engine components for Pratt & Whitney Canada, develop small turbines for the Chinese and international markets and overhaul Pratt & Whitney Canada engines in service. *Robert Gibbens, Montreal*

NEWS: INTERNATIONAL

Resignations threaten KwaZulu Natal peace

By Mark Ashurst in Johannesburg

The fragile political peace in KwaZulu Natal, the South African province controlled by Chief Mangosuthu Buthelezi's Inkatha Freedom party, hangs in the balance following the resignation of the provincial leader and two of the party's top officials.

Mr Frank Mdlalose, premier of KwaZulu Natal, quit his post as Inkatha's national chairman during a marathon 15-hour meeting of the party's national council at the weekend. He will formally step down as premier next month. His likely successor is Mr Ben Ngubane, the provincial finance minister, who has been appointed acting chairman of the party.

Analysts said Mr Ngubane, who has earned a reputation as a pragmatist and commands esteem among the predominantly white business community in the province, was committed to building an effective working relationship with the African National Congress. The parties have a mixed record of co-operation in the unity cabinet formed in the province in 1994, when Inkatha won 51 per cent of the KwaZulu Natal ballot in South Africa's first democratic election.

However, the prospect of further reconciliation could be stymied by the resignation of Mr Ziba Jiyane, Inkatha's secretary-general and a staunch advocate of democratic reforms within the Zulu-based party. His efforts to build new support among other ethnic groups and minorities were disappointed during local elections last year, when the party was trounced in urban areas by the ANC.

Mr Jiyane will remain in office until July, but his duties will be taken up by his deputy, Mr Zakhele Khumalo, who commands a loyal following among Inkatha traditionalists. They argue that the party should consolidate its support among Zulu nationalists, eschew closer co-operation with the ANC and court support among other tribal groups. In October, Mr Khumalo was acquitted with Mr Magnus Malan, the former defence minister, on murder charges related to the 1987 massacre of ANC supporters at KwaMakhutha township.

Diplomats were divided over the impact of the resignations. "This is not a crisis. Buthelezi has always played moderates off against hardliners," said one. But others said the resignations signalled a defeat for moderates, whose readiness to work with the ANC had contributed to a drop in the death toll in KwaZulu Natal.

It is estimated that 580-650 people died in political violence in KwaZulu Natal last year, compared with about 800 deaths in 1995.

The third resignation was Mr Musa Myeni, Inkatha leader in the industrialised Gauteng province, which is controlled by the African National Congress. Mr Musa is widely credited with promoting peace among mineworkers on the East Rand near Johannesburg.

None of the three has disclosed the reasons for their departure, despite persistent reports of tensions with Mr Buthelezi, Inkatha president and minister of home affairs in the national government.

Global PC sales growth slips back

By Paul Taylor

Worldwide shipments of personal computers increased by 17.7 per cent to 70.9m units last year with Compaq Computer, International Business Machines and Dell Computer all posting strong gains, according to Dataquest, the market research firm.

In contrast struggling Apple Computer suffered the biggest worldwide market decline in shipments and saw its market share fall further, while sales of machines made by Packard Bell NEC, the home PC specialist, also declined.

Dataquest's figures, and those of its arch-rival, International Data Corp which put the worldwide sales gain at 16 per cent last year to 68.4m units, confirm that while the PC industry experienced robust growth last year, the increase in unit shipments was less than in 1995.

The slowdown mainly reflects weakness in the home PC market and disappointing fourth quarter sales compared with the exceptionally strong 1995 Christmas period.

According to IDC, last year was the first since 1991 in which sales did not increase by more than 20 per cent. The PC industry averaged about 21 per cent annual growth from 1991 to 1995.

Both the IDC and Dataquest figures confirm that growth slowed markedly in the fourth quarter. IDC reported that global PC shipments increased by just 11 per cent to 20.4m units in the crucial pre-Christmas quarter, traditionally the strongest period for PC sales.

Mr Eric Lewis, an IDC analyst, said the main weakness was in Germany, the world's third-biggest PC market where sales actually fell from a year ago. In contrast fourth-quarter growth in the US was much stronger than elsewhere at 15 per cent – but still below the 20 per cent which had been forecast because of weak consumer sales.

Dataquest's figures highlight the differing fortunes of individual manufacturers. "While some vendors suffered from slowing PC home sales, others excelled," said Mr Scott Miller, an analyst with Dataquest.

Led by strong sales to corporate customers, Compaq, IBM and Dell showed the biggest increase in shipments while Hewlett-Packard entered the top five for the first time. However, companies like NEC's Packard Bell NEC and Apple, which are more focused on home PC sales, suffered. Apple's market share fell by more than a third in the fourth quarter to 4.5 per cent. Compaq retained its position as the worldwide PC market leader for the third year in a row with 7.1m units shipped, an increase of 19 per cent.

Overall the industry's profitability improved last year, mainly because of the reduced cost of components, particularly memory chips. IBM and H-P have said their PC operations were modestly profitable while Compaq, Dell and Gateway all reported sharply higher earnings.

IDC is forecasting worldwide PC unit growth of 16 to 17 per cent this year.

World's top five computer makers

	Units sold (millions) 1996	1995	Market Share (%) 1996
Compaq	7.128	6.018	[illegible]
IBM	6.09	4.761	[illegible]
Packard Bell NEC	4.33	4.555	[illegible]
Apple Computer	3.696	4.735	[illegible]
Hewlett-Packard	2.914	1.92	[illegible]

Source: Dataquest

Investors grapple with Kazakh utilities

Foreigners attracted to sell-offs are in the dark about the ground rules, writes Charles Clover

The privatisation process in Kazakhstan began to resemble a revolving door last week. Just as the government considered bids from two western companies to negotiate exclusively for the high-voltage electric power grid, it announced at the same time a new tender for the state-owned telecommunications company following the recent collapse of a similar set of exclusive negotiations with Deutsche Telekom.

The same questions which failed to be resolved in the telecoms negotiations are likely to pop up again once a potential electric grid operator has been identified, for the sticking point in the Deutsche Telekom negotiations was the regulation of so-called natural monopolies. The high-voltage electric grid, which transmits two-thirds of Kazakhstan's electricity, falls squarely into this category.

Kazakhstan's utilities are plagued with unpayable debts, uncollectable credits, and a resulting lack of investment, which makes them prime targets for privatisation.

The state grid company is seeking $500m investment towards stabilising the power lines which connect the north and south of the country. The telecoms company, meanwhile, would like to increase the number of phone lines from 2.1m to 4.5m at a cost of hundreds of millions of dollars. The country's natural gas pipeline system is also going through the tender process, hoping to raise investments of $125m.

But foreign investment in these utilities is likely to be proportionate to how profitable they are permitted to be at the expense of Kazakh consumers, who already this winter have suffered service cuts of catastrophic proportions due to non-payment for energy supplies.

"The concessionaire would need to sit down and agree on an investment plan, and then agree on a pricing structure to make that investment possible," said a western businessman.

The two suitors for the grid are National Grid Company of the UK and a consortium of Asea Brown Boveri, the international power engineering group and Viag of Germany. Once their bids are evaluated one of them will be turned over to a host of ministries and government agencies which will sort through the competing imperatives to determine how much control the new operator will have over infrastructure and prices.

Deutsche Telekom was the first company to test the waters of Kazakhstan's utilities regulation last autumn when it tried to negotiate tariff agreements and operating licences for its DM825m ($519m) investment in the state telecoms company.

The company was unable to get a commitment from the State Committee for Price and Anti-Monopoly Policy for tariff increases beyond 1997. It was also unable to get a government guarantee that it would be a monopoly. The operating licence issued by the Ministry of Transport and Telecommunications was said to be vague about exclusive rights to the provision of the more profitable services such as long distance and international calls.

"During the 1980s, all the developed countries moved away from a policy of telecommunications monopoly. This question is still being seriously considered by Kazakhstan," said Mr Sapargale Shaimokhanov of the Telecommunications Ministry.

Regulating the electricity grid would pose the same dilemmas. While the grid company doesn't have any generating capacity of its own, 40 of the 60 terawatt hours of electricity used in Kazakhstan last year travelled through its high-voltage lines, according to an official in the Ministry of Energy and Coal.

Transit fees must be negotiated with the Anti-Monopoly Committee, while a ministry-issued licence determines the concessionaire's rights to the infrastructure: in this case, whether and how the grid company can buy electricity from power stations and sell to the 12 local utilities in Kazakhstan, rather than just taking transmission fees. The National Grid Company has already declared it would not seek to trade electricity, but an ABB spokesman said the issue was still not yet properly defined.

Complicating the formula still further is that the utilities are at the centre of a liquidity crisis afflicting the entire Kazakh economy, where enterprises owe and are owed vast sums which cannot be paid because they cannot be collected.

It is still unclear how much of the liabilities and assets new investors would have to assume.

For example, the electric power industry is owed 50bn tenge ($663m) by domestic customers, according to Mr Anatoly Dubatov of the ministry of energy and coal. This makes it one of the country's largest creditors. For comparison, the total amount of loans on the books of the Kazakh banking sector is 63bn tenge.

Meanwhile, Kazakhtelecom is owed nearly $100m by customers, according to Mr Aidan Karibzhanov of Kazkommertsbank, Kazakhtelecom's financial advisers. Kazakgas, one of the state gas pipeline companies, is owed 24bn tenge.

Because they are such large creditors, the utilities are also among the country's most indebted entities, owing a large chunk of its $3.9m foreign debt.

For example, half the debt owed to the power industry is owed in turn to Russia for payment arrears, which may be resolved through a $370m debt-equity swap involving a high-voltage power line running through northern Kazakhstan and some equity in a Kazakh power station.

Kazakhtelecom, meanwhile, owes DM460m to Germany for equipment bought in 1991, which any new bidder for the company would be asked to pay off.

Kazakhstan owes equivalently large sums to Uzbekistan and Turkmenistan for gas supplies.

"I think they need to keep the monopoly around until they get the system fixed," said one businessman.

NEWS: ASIA-PACIFIC

China plans $2bn bond issues this year

By Tony Walker in Beijing

China plans to issue some $2bn in bonds on international markets this year, a slight rise on 1996.

The bond issues will be aimed at financing infrastructure projects in such areas as energy, transport and power.

The official China Daily Business Weekly reported that the State Development Bank, China's "infrastructure" bank, would issue $350m in Yankee bonds – US dollar bonds issued in the US domestic market by non-US borrowers. Bank of China would return to the international bond market after a two-year absence.

Chinese institutions would seek to take advantage of a favourable climate for fund-raising abroad, with investors responding positively to Chinese paper. Mainland institutions issued nine batches of bonds last year, raising some $1.81bn.

Plans to increase capital raising abroad coincide with an ambitious programme of bond issues domestically which are expected to raise Yn15bn ($1.8bn) this year, mainly to overcome bottle-necks in such areas as railways and power generation.

Beijing is increasing reliance on bonds to raise funds for infrastructure, including the $30bn Three Gorges dam on the Yangtze. China has announced a Yn1bn domestic bond issue for the hydro-power project and is planning a $120m foray on to international markets.

China's four specialised commercial banks – Bank of China, Industrial and Commercial Bank, Construction Bank and Agricultural Bank – are expected to raise funds this year internationally.

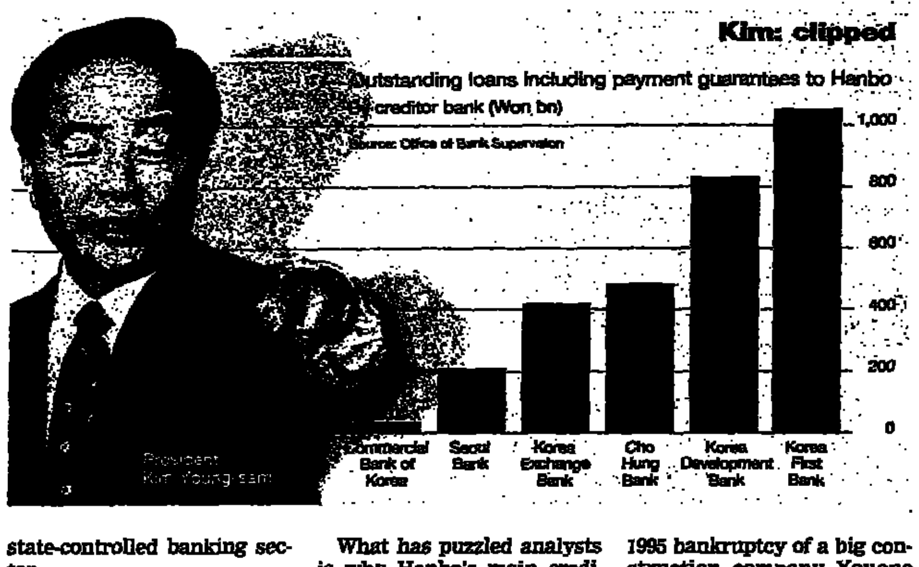
China Daily quoted an official of the State Administration of Exchange Control (SAEC), which regulates China's foreign borrowings, as saying that domestic institutions would be encouraged to secure "low cost" funds in international markets "actively and steadily".

But he added that the growth of national foreign debt would still be under "strict control". China's foreign debt stood at $109.57bn at the end of June. Principal and interest repayments are about $10bn annually.

The State Planning Commission says China will raise foreign borrowings by $7bn to $18bn this year for infrastructure projects aimed at narrowing the "rich-poor gap" between coastal areas and the hinterland.

China's plans for a modest rise in foreign borrowings coincides with a continuing build-up in foreign exchange reserves, which reached $105bn at the end of 1996.

How Hanbo treasure turned to dust



Hanbo's name, which means Korea Treasure, has turned out to be a terrible misnomer.

The bankruptcy of one of South Korea's largest conglomerates threatens to shake the country's fragile financial system and further damage the unpopular administration of President Kim Young-sam with allegations of corruption.

Hanbo's collapse also exposes key structural faults of the Korean economy, with the government supporting ambitious investments in doubtful industrial projects that result in production overcapacity, heavily indebted companies and a weak banking sector.

The rise and fall of Hanbo "shows that nothing has really changed in Korea despite all the talk of economic reform," said Mr Richard Samuelson, branch manager of SBC Warburg Securities in Seoul.

There are also worries that other highly geared industrial groups are in danger of collapse if the Korean economy continues to slow.

Hanbo was a classic product of the state-driven industrialisation programme of the 1970s.

Established in 1974 by a former tax official, Mr Chung Tai-soo, as a construction company, Hanbo grew rapidly as its founder used his government contacts to acquire scarce capital for the group from the state-controlled banking sector.

Like many Korean conglomerates, or *chaebol*, Hanbo expanded into other unrelated businesses, acquiring a steel company in 1989, a pharmaceutical company in 1993 and a mutual savings and finance company in 1994. It joined a Russian natural gas project last year.

Hanbo's decision in 1993 to build the world's fifth largest steel mill proved to be its undoing. Costs for the project escalated from Won2,700bn to Won5,700bn ($3.16bn to $6.67bn), while steel demand proved sluggish. The debt/equity ratio of Hanbo Steel, which had a shareholder equity of only Won315bn, soared to 1,600 per cent.

What has puzzled analysts is why Hanbo's main creditor banks lent Won5,000bn without conducting a feasibility study of the steel project and without securing adequate collateral for the loans.

Government restrictions on excessive lending to the chaebol were ignored.

Officials of Korean banks said they were willing to lend to Hanbo because they believed the steel project had strong government support. Among the chief lenders was the state-run Korea Development Bank, which has financed much of Korea's industrialisation.

Moreover, Hanbo established close relations with its main creditor bank, Korea First Bank. When the 1995 bankruptcy of a big construction company Youone threatened to raise Korea First's amount of non-performing loans and cut earnings, Hanbo acquired Youone to reduce the bank's exposure.

Opposition parties, however, claim the Kim administration exerted pressure on the banks to provide the loans to Hanbo in return for illegal political donations by Hanbo to the ruling party.

Mr Chung, the Hanbo founder, has twice been convicted on corruption charges involving the administration of former President Roh Tae-woo, although the latest sentence was quashed last year by an appeals court on technical grounds.

"There is little doubt that the government was applying pressure on the banks to lend to Hanbo. Their behaviour otherwise is very puzzling," said Ms Anne Lowell, a banking analyst at HG Asia Securities in Seoul.

The government agreed yesterday to conduct a special parliamentary investigation into the Hanbo affair. In addition it is trying to calm the banking industry by injecting Won1,000bn into the financial sector.

Particular concern has focused on Korea First, which has already suffered from several other big corporate bankruptcies and losses in equities investments. Moody's Investors Service has issued a warning for a possible ratings downgrade on Korea First and two other Hanbo creditors, Cho Hung Bank and Korea Exchange Bank.

Analysts predict that state-run Pohang Iron and Steel, the world's second biggest steelmaker, will probably take over the Hanbo steel project in what would amount to a state rescue that would reduce loan losses for the banks.

Hanbo "reflects the mistakes of the past. The hope is that it will serve as catalyst for a needed restructuring of Korean industry, although the process will be painful," said Mr Edward Kim, a director of Ssangyong Investment & Securities.

John Burton

More Japanese sunk by debt

Japan's finance ministry has warned of a further rise in bankruptcies after a record number of people filed for bankruptcy in the 11 months to November last year, writes Michiyo Nakamoto in Tokyo.

Court records indicate the number of personal bankruptcies last year is likely to have been a record after topping 50,000 for the first time by November.

The finance ministry, which has asked consumer finance companies to consult each other on ways to stem the growing tide of personal bankruptcies, said it was concerned the number could rise further.

Japan's supreme court handled 50,615 filings for individual bankruptcies to November, far exceeding the 43,414 cases for the whole of 1995. Of those cases, 81 per cent were applications by consumers who had borrowed from finance companies other than banks.

"We are concerned that personal bankruptcies could increase, since the value of consumer loans outstanding is rising even while incomes are not," an official in the finance ministry's banking bureau explained.

Consumer finance loans outstanding reached Y75,000bn ($630bn) in 1994 against total disposable income of Y333,210bn, figures from the Japan Consumer Credit Association show. The ratio of consumer finance loans to disposable income in Japan has surpassed that in the US since 1990.

The finance ministry has asked consumer finance companies to tighten credit risk inspections, refrain from excessive advertising and inform consumers about borrowing from non-bank companies.

Mr Kenji Utsunomiya, a Tokyo lawyer, believes 1m-1.5m people with multiple loans could face bankruptcy.

ASIA-PACIFIC NEWS DIGEST

China-UK tiff on HK troops

Britain yesterday called on China to cut the number of troops it wants to send as an advance party before the territory returns to Chinese sovereignty in July. The issue has emerged as a source of tension between the two sides since Beijing announced its intention last November to despatch troops ahead of the handover.

Britain and the Hong Kong government have sought to limit the number of troops and the time they spend in the territory. Although neither side would confirm the size of the force that Beijing intended to send, Chinese officials previously indicated they wanted to despatch about 300 in the advance team. Estimates for the size of the total People's Liberation Army garrison in Hong Kong after the handover range from 6,000 to 8,000.

The issue is now being discussed by the Joint Liaison Group, the Sino-British body which negotiates handover arrangements. *John Ridding, Hong Kong*

Australia broadcasting probe

A government-commissioned inquiry into the future status of the Australian Broadcasting Corporation, the publicly-owned television and radio group, has supported the sale of many of the company's assets and functions. But the inquiry says ABC should remain free of commercials and sponsorship.

Any sale would include the disposal of Radio Australia, the overseas radio arm, the outsourcing of programme production and the sale of the ABC's A$300m-plus ($231m) property portfolio.

Mr Bob Mansfield, former managing director of John Fairfax, the Australian newspaper group, who led the inquiry, said that if these strategies were followed ABC could continue to deliver existing domestic services within government funding levels and without significant downgrading of content.

"I believe in the general community the key element of trust in the independence of the ABC is based around the fact that it does not have advertising or sponsorship involved," he said. *Bruce Jacques, Sydney*

Malaysia multimedia move

Malaysia is drafting five "cyber laws" to regulate what it hopes will become an Asian hub for the multimedia business. Mr Leo Moggie, minister for energy, telecommunications and posts, gave few details yesterday but indicated that the proposed digital signature act would, for instance, give authority to certain, unspecified agencies to recognise digital signatures – a move to facilitate commerce over the Internet.

Dr Mahathir Mohamad, the prime minister, was involved in a week-long roadshow in California this month to promote a "multimedia super corridor", a planned 750 sq km zone near Kuala Lumpur which Malaysia hopes to transform into an industrial park for cutting-edge information technology businesses.

While in California Dr Mahathir chaired the first meeting of a 30-member international advisory panel which includes the chief executives of Microsoft, IBM, Sony, Oracle, Apple Computer, Sun Microsystems, Compaq, Siemens, Nippon Telephone and Telegraph, Motorola, Netscape and others. *James Kynge, Singapore*

Sri Lanka call charges up

Sri Lanka has announced sharp increases in telephone call charges and connection fees in the run-up to privatising the country's main telecommunications company. Domestic tariffs and monthly subscriptions will be increased by an average of 25 per cent from February, the government said. International calls to 27 countries will be lowered marginally, but will be offset by an increase in the tax rate from 20 per cent to 25 per cent.

The government is on the verge of selling a 35 per cent stake in Sri Lanka Telecom, the main phone company in the country with just over 225,000 direct exchange lines, to a foreign investor.

Officials said that the government's privatisation body, the Public Enterprise Reform Commission (Perc), asked Sri Lanka Telecom to raise tariffs before selling off the company to avoid criticism of the sell-off plan.

Mr Rajan Asirwatham, head of Perc, resigned last month following allegations of mishandling in the sale of the country's gas distribution monopoly to the Anglo-Dutch company Shell which raised prices by 20 per cent in six months. *Amal Jayasinghe, Colombo*

Thailand backtracks on bank auction plan

By Ted Bardacke in Bangkok

Thailand's central bank has postponed indefinitely the auction of a controlling stake in the troubled Bangkok Bank of Commerce (BBoC) in a significant reversal of policy. Instead, the bank will take on about $2bn in bad debt and hire outside managers to run the mid-size commercial bank as a government-owned institution, bank officials said yesterday.

The decision to shoulder the burden of nearly two-thirds of BBoC's bad debt and keep it in government hands backtracks on an announcement last month by Mr Amnuay Viravan, finance minister. He had said 51 per cent of BBoC would be sold to the highest bidder in the first quarter of this year.

BBoC was taken over by the Thai government last year after financial setbacks under the former management nearly bankrupted the bank.

The central bank, which found itself with 65 per cent of BBoC, has been at a loss over how to sell the bank without first using taxpayers' money to clean it up. Apparently it failed in that mission, with prospective bidders saying they would offer only token sums unless the government cleaned up the loan situation – a politically unpalatable move.

The plan now is for the central bank's financial institution rescue fund to issue Bt30bn ($1.1bn) in eight-year bills of exchange paying 12.5 per cent annual interest and give them to BBoC in exchange for Bt50bn of its worst performing debt.

The central bank's rescue fund was nearly emptied already by BBoC but under this scheme the central bank will have to make only interest payments for another eight years. To recover some of those costs, it will seize and liquidate BBoC shares and collateral worth Bt2.78bn held by the former management.

The idea of the auction remains but central bank officials said it would not take place until BBoC was profitable again, enabling the government to recover some of the funds needed to repay the Bt30bn due in 2005.

The government controlling committee currently running the bank is expected to be disbanded by March and to be replaced by a professional management team.

BBoC will be left with about Bt20bn in bad loans, for which it will create a new company to be charged with collecting and asset disposal, while the bank's registered capital will be lowered to Bt15.5bn from Bt35.5bn.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 28.01.97 – Pool purchase price £/MWh	Final Prices for Trading on 31.12.96 – Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.87	11.69	11.69
0100	18.87	18.31	18.96
0130	22.26	18.31	18.96
0200	33.99	18.31	18.96
0230	33.99	18.31	18.96
0300	33.99	18.31	18.96
0330	26.89	18.31	18.96
0400	22.26	18.31	18.96
0430	22.26	11.69	11.69
0500	22.26	11.69	11.69
0530	18.75	11.70	11.70
0600	18.75	11.69	11.69
0630	15.32	11.69	11.69
0700	18.75	11.69	11.69
0730	34.02	11.69	11.69
0800	30.10	11.69	11.69
0830	34.04	11.70	11.70
0900	34.06	15.81	18.45
0930	34.07	17.02	19.68
1000	40.09	17.45	20.10
1030	40.08	17.45	20.10
1100	34.05	17.45	20.10
1130	31.69	17.67	20.32
1200	31.69	32.16	34.81
1230	31.69	40.78	43.44
1300	30.10	40.78	43.44
1330	30.09	40.78	43.44
1400	26.33	17.67	20.32
1430	26.33	17.67	20.32
1500	26.33	17.67	20.32
1530	26.33	11.86	11.86
1600	26.35	11.86	11.86
1630	41.51	36.60	39.29
1700	51.07	45.46	48.17
1730	64.89	45.57	48.30
1800	65.10	45.53	48.25
1830	59.43	45.37	48.07
1900	46.59	36.56	39.23
1930	46.01	36.50	39.16
2000	43.49	36.48	39.14
2030	41.13	28.58	31.23
2100	31.08	11.89	11.89
2130	26.33	11.70	11.70
2200	26.29	11.68	11.68
2230	18.75	11.66	11.66
2300	18.75	11.67	11.67
2330	12.01	11.65	11.65
2400	11.68	11.67	11.67

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the Pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6788 between 8.30am and 5.15pm Monday to Friday.
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INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	101.9	98.6	102.1	99.8	85.0
1987	105.6	100.7	103.9	97.5	76.1
1988	109.9	103.2	106.8	99.4	71.0
1989	115.2	108.5	109.9	101.4	74.9
1990	121.5	113.9	113.5	104.0	73.2
1991	126.6	116.3	117.3	107.3	74.1
1992	130.4	117.7	120.1	107.0	74.1
1993	134.3	119.2	123.1	106.7	76.6
1994	137.8	119.9	126.5	105.4	74.5
1995	141.7	122.2	129.7	105.6	68.9
1996	145.8	125.4			
1st qtr.1996	2.7	2.2	2.7	–0.4	72.0
2nd qtr.1996	2.9	2.5	3.4	–0.5	73.4
3rd qtr.1996	2.9	2.8	3.4	–0.9	73.8
4th qtr.1996	3.2	2.9			
January 1996	2.7	2.2	3.4	–0.1	71.8
February	2.6	2.0	2.6	–0.9	72.1
March	2.8	2.4	2.2	–0.3	72.3
April	2.9	2.5	3.5	–0.3	73.0
May	2.9	2.3	3.4	–0.3	73.5
June	2.8	2.7	3.4	–0.9	73.9
July	2.9	2.6	3.2	–1.5	73.7
August	2.9	3.0	3.5	–0.6	73.2
September	3.0	2.9	3.4	–0.6	74.1
October	3.0	3.0	3.3	–1.0	74.4
November	3.3	3.0	3.6	–1.4	73.7
December 1996	3.3	2.8			

JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	100.9	95.3	101.4	102.8	118.5
1987	101.3	92.5	103.1	100.0	122.8
1988	102.4	92.3	107.8	96.0	131.0
1989	105.1	94.2	114.0	96.8	123.5
1990	108.4	95.7	120.1	99.7	108.2
1991	111.9	96.8	124.2	103.9	113.2
1992	114.0	95.9	125.6	112.8	114.6
1993	115.4	94.3	125.8	118.8	132.3
1994	116.2	92.6	128.4	118.5	137.8
1995	115.9	92.0	132.5	115.6	138.6
1996	115.8				
1st qtr.1996	–0.3	–0.9	1.8	–0.4	122.4
2nd qtr.1996	0.1	–0.9	1.6	–0.5	121.0
3rd qtr.1996	0.0	–0.8	4.6	–3.5	118.1
4th qtr.1996	0.1				
January 1996	–0.5	–0.8	–0.1	–2.3	122.7
February	–0.3	–0.9	3.0	–2.4	122.4
March	–0.2	–0.9	2.7	3.4	122.1
April	0.2	–0.9	2.4	–0.1	121.2
May	0.1	–0.8	2.1	–2.5	122.4
June	–0.1	–0.9	0.8	1.2	119.0
July	0.4	–0.8	3.6	–5.6	118.3
August	0.0	–0.7	7.9	–1.9	118.9
September	–0.4	–0.8	3.0	–3.2	117.1
October	0.0	–0.8	2.8	–4.8	115.0
November	0.1	–0.6	2.0		114.5
December 1996	0.2				

GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	98.9	97.5	103.6	103.8	107.4
1987	100.1	95.0	107.9	107.1	110.9
1988	101.4	96.2	112.6	106.9	109.9
1989	104.2	99.3	117.1	108.0	107.5
1990	107.0	101.0	123.5	110.3	109.9
1991	110.9	103.4	131.3	109.6	107.5
1992	116.5	104.9	138.2	115.3	110.3
1993	121.7	105.1	145.8	119.2	112.2
1994	125.1	105.7	150.8	112.0	110.7
1995	127.4	107.5	155.8	110.7	115.6
1996	129.3	107.1			
1st qtr.1996	1.6	–0.2		3.7	113.1
2nd qtr.1996	1.5	–0.6		0.7	110.3
3rd qtr.1996	1.5	–0.6		–2.7	110.7
4th qtr.1996	1.4	–0.3			
January 1996	1.5	0.0	n.a.	2.0	113.7
February	1.6	–0.2	n.a.	8.1	113.2
March	1.7	–0.3	n.a.	1.0	112.1
April	1.5	–0.5	n.a.	0.0	110.9
May	1.7	–0.5	n.a.	2.0	109.9
June	1.4	–0.8	n.a.	0.0	110.0
July	1.6	–0.7	n.a.	–2.0	110.8
August	1.4	–0.7	n.a.	–4.0	111.2
September	1.4	–0.6	n.a.	–2.0	109.9
October	1.5	–0.3	n.a.		109.1
November	1.4	–0.3	n.a.		109.0
December 1996	1.4	–0.3	n.a.		

FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	102.5	98.0	104.5	101.6	103.4
1987	105.9	98.1	107.8	103.0	104.6
1988	108.8	102.9	111.1	104.1	102.1
1989	112.6	108.2	115.4	105.2	99.6
1990	116.5	107.1	120.6	109.6	102.9
1991	120.2	105.9	125.8	113.4	100.7
1992	123.1	104.3	130.3	115.6	102.6
1993	125.6	101.6	133.5	118.1	101.9
1994	127.7	102.7	135.9		101.4
1995	130.0	109.7	139.0		101.4
1996	132.6				
1st qtr.1996	2.1	–1.2	2.6		101.6
2nd qtr.1996	2.4	–3.9	2.5		101.7
3rd qtr.1996	1.9	–5.2	2.6		101.4
4th qtr.1996	1.7				
January 1996	2.0	n.a.	n.a.	n.a.	101.4
February	2.0	n.a.	n.a.	n.a.	101.2
March	2.3	n.a.	n.a.	n.a.	102.3
April	2.4	n.a.	n.a.	n.a.	102.1
May	2.4	n.a.	n.a.	n.a.	101.5
June	2.3	n.a.	n.a.	n.a.	101.5
July	2.3	n.a.	n.a.	n.a.	101.8
August	1.6	n.a.	n.a.	n.a.	101.3
September	1.6	n.a.	n.a.	n.a.	101.3
October	1.8	n.a.	n.a.	n.a.	102.0
November	1.6	n.a.	n.a.	n.a.	102.0
December 1996	1.7	n.a.	n.a.	n.a.	

ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	106.1	100.2	104.8	102.7	101.3
1987	111.0	103.2	111.6	105.5	102.2
1988	116.5	106.8	118.4	109.7	101.0
1989	124.2	113.1	125.6	112.3	105.3
1990	131.7	117.8	134.7	118.8	112.0
1991	140.3	121.7	147.9	129.5	113.2
1992	147.7	124.0	155.9	134.4	109.9
1993	153.9	128.7	161.6	136.7	96.2
1994	160.0	133.5	167.0	137.9	94.2
1995	168.6	144.0	172.2	137.8	91.2
1996	175.0				
1st qtr.1996	5.0	4.8	1.9	1.6	99.2
2nd qtr.1996	4.2	1.5	2.1	2.6	103.1
3rd qtr.1996	3.5	0.1	1.7		103.6
4th qtr.1996	2.7				
January 1996	5.5	5.9	1.9	n.a.	98.1
February	5.0	4.9	1.9	n.a.	99.6
March	4.5	3.6	1.8	n.a.	100.1
April	4.5	2.6	2.0	n.a.	101.9
May	4.3	1.3	2.0	n.a.	103.5
June	3.9	0.6	2.2	n.a.	103.9
July	3.6	0.2	1.9	n.a.	103.8
August	3.4	0.0	1.9	n.a.	103.0
September	3.4	0.2	1.3	n.a.	104.3
October	3.0	0.4	1.5	n.a.	104.6
November	2.6	0.6		n.a.	104.0
December 1996	2.6			n.a.	

UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	103.4	101.4	107.7	105.1	94.3
1987	107.7	104.9	116.3	107.5	94.8
1988	113.0	108.7	126.2	110.3	101.9
1989	121.8	113.9	137.2	115.1	100.5
1990	133.3	121.0	150.1	122.7	101.4
1991	141.2	127.5	162.4	129.5	104.4
1992	146.4	131.5	173.1	130.5	101.1
1993	148.7	136.7	180.9	130.4	93.7
1994	152.4	140.1	189.5	130.1	94.6
1995	157.6	146.0	198.0	134.2	91.2
1996	161.5	149.8			
1st qtr.1996	2.8	3.6	4.4	3.9	90.9
2nd qtr.1996	2.3	2.9	4.2	4.4	92.3
3rd qtr.1996	2.2	2.1	4.5	4.7	93.5
4th qtr.1996	2.6	2.0			
January 1996	2.8	3.8	4.0	3.1	90.6
February	2.7	3.7	4.6	4.4	91.2
March	2.7	3.4	4.6	4.2	90.9
April	2.4	3.2	4.3	4.3	91.2
May	2.2	2.8	4.0	4.2	92.0
June	2.1	2.6	4.3	4.4	93.6
July	2.2	2.2	4.4	3.9	93.7
August	2.1	2.1	4.5	5.5	92.7
September	2.1	2.2	4.7	4.8	94.1
October	2.7	2.3	4.0	3.6	96.8
November	2.7	2.1	4.7	4.2	101.1
December 1996	2.5	1.7			

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

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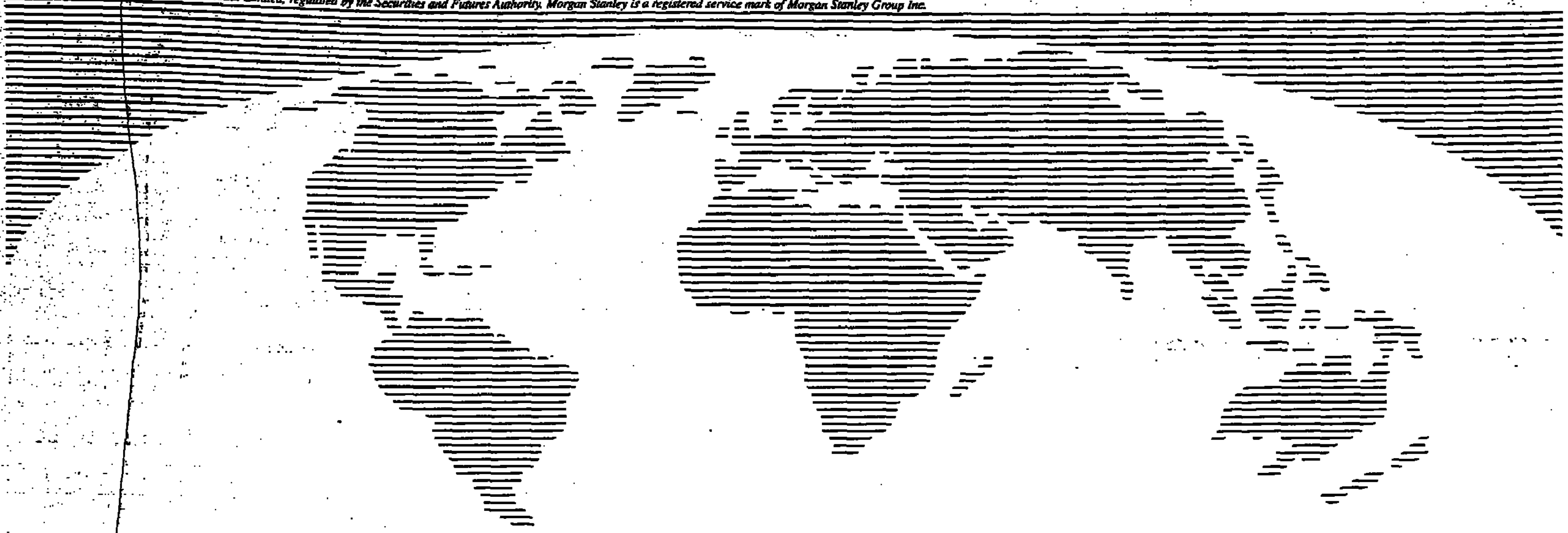


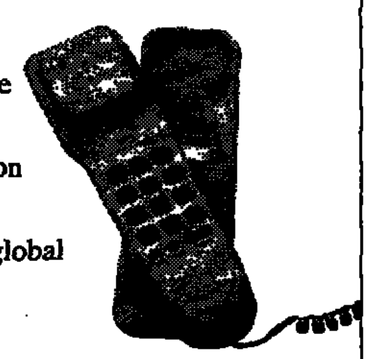
GLOBAL REACH **IN-DEPTH CAPABILITIES** **LOCAL INSIGHT** **INDUSTRY EXPERTISE**

TELECOM

Belgacom, Belgium

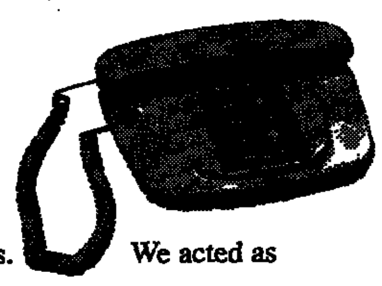
The Belgian State sold 50% less one share in Belgacom to a consortium composed of Ameritech, Tele Danmark, Singapore Telecom and Belgian financial investors. This sale was the outcome of the strategic consolidation of Belgacom, in which we acted as financial advisor to The Belgian State.

COLT, UK



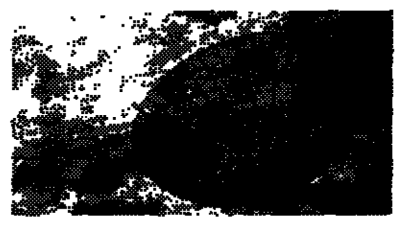
COLT Telecom Group PLC — a provider of competitive local telecommunications services — raised $314 million to help fund its European expansion. We acted as sole global coordinator and joint sponsor, completing the first-ever simultaneous initial public and high yield offerings for a European company.

Telecom Eireann, Ireland



The Irish State sold up to a 35% shareholding in Telecom Eireann to a consortium of the Dutch and Swedish national telecommunications operators. We acted as financial advisor to the Irish State, assisting in the negotiations to align its interests with those of Telecom Eireann and the consortium.

France Télécom, France

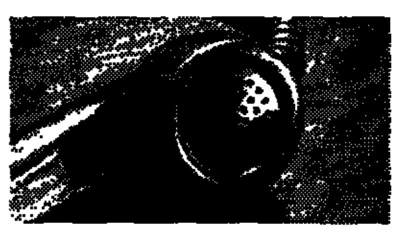


As part of the preparation for its IPO, France Télécom will make a payment to the French State in lieu of the assumption by the State of its employees' pension liabilities. We acted as financial advisor to France Télécom, providing in-depth capital structure analysis and telecom industry expertise.

Deutsche Bahn, Germany

Deutsche Bahn sold a 49.8% stake in DBKom to a Mannesmann-led consortium, forming a preeminent competitor in the liberalising German telecom market. We acted as financial advisor to Deutsche Bahn, using our advisory experience in complex transactions in the global telecom industry.

Ionica, UK



In order to raise $150 million for the first fixed wireless local loop operator in the world, we acted as sponsor and bookrunner for its issue of high yield units, completing the offering in a marketplace where comparable issues were postponed.

MORGAN STANLEY

Beijing Montreal Bombay Moscow Chicago New York Frankfurt Paris Hong Kong Philadelphia Johannesburg San Francisco London Seoul Los Angeles Shanghai Luxembourg Singapore Madrid Sydney Melbourne Taipei Menlo Park Tokyo Milan Toronto Zurich

Campaign is boosted by commendations from big Japanese manufacturing companies

Trade union woos inward investors

By Andrew Bolger, Employment Correspondent

The AEEU engineering and electrical workers' trade union is seeking to attract further inward investment by publicising the success of agreements it has made with companies which have already opened factories in the UK. The AEEU is Britain's biggest manufacturing trade union.

The union yesterday launched a glossy booklet containing glowing endorsements of the union's role from executives at manufacturers such as Nissan, Sony, Toyota, Bosch and Electrolux.

The AEEU has signed more than 200 single-union agreements since the 1980s, most of them with inward investors. The booklet is available in Japanese, Korean and German, as well as English. It will be translated into any other required language. Mr Ken Jackson, general secretary of the right-wing union, said: "There is a new mood in the country. The unions and Labour [the main opposition party] can work very effectively with big British companies."

Those quoted include Mr Toshiro Omori, managing director of Sharp Manufacturing, the Japanese electronics group. He says: "The AEEU can help a company become established in an area, and we are pleased to be in partnership with them."

Nissan Motor Manufacturing UK, which last week announced the expansion of its manufacturing site at Sunderland, in north-east England, says: "We believed the AEEU was the union that was committed to our philosophy of teamworking, flexibility, single status and an absolute dedication to quality. That belief has been fulfilled."

Mr Jackson said: "Partnership is the order of the day. As a union, the AEEU can be of great help to a company – and industry chiefs are no longer afraid to say so. When we invited them to contribute a piece to our brochure, which is being distributed worldwide, every single one of them readily agreed."

Mr Jackson said the prospect of a Labour government, combined with continuing growth and increasing skills shortages, meant his union would be actively recruiting – and targeting companies such as Honda, the Japanese motor manufacturer, which has so far not recognised unions at its plant in south-west England.

The single-union agreement signed with Coca-Cola Schweppes shows how the union is prepared to accommodate management. It states: "To ensure the fullest use of plant, equipment, vehicles and manpower, there will be complete flexibility and mobility of employees within their capabilities and as required by the company."

Sony UK says: "We have a long-standing, positive and amicable relationship with the union."

A conflict over alleged racial discrimination by the Ford car company in its recruitment policy was settled yesterday when agreement was reached with the Transport and General Workers Union. The issue, centred on the the company's Dagenham plant in east London, was about to go before an industrial tribunal, Robert Taylor writes.

Eight Asian and Afro-Caribbean production workers, who complained they had been denied jobs among the elite £30,000-a-year ($50,000) fleet truck drivers, have received compensation for "hurt feelings" of several thousand pounds each. But there is now the growing threat of inter-union strife at the plant as 300 white drivers are believed to have left the TGWU to join the small United Road Transport Union.

In a joint statement Ford and the TGWU said they had agreed "a selection and training procedure that fully complied with the company's equal opportunities policy".

Union officials have claimed that nearly half the workers at the plant are from ethnic minorities compared with fewer than 2 per cent of the truck drivers.

Brussels to target bane of exporters

Bad debts are 'particularly worrying' in France and Italy

A small UK company wins an order to export meat to Italy. Good news, surely – unless the Italian company does not pay.

In theory, the exporter could sue for the debt. But this would entail hiring an Italian lawyer and going to an Italian court. In practice, according to a European Union official, "90 per cent of the invoices of a typical small British company are not enforceable".

Now the European Commission is trying to tackle the issue of bad debt. Member states have until December to take measures to enforce payment on time, based on an EU recommendation two years ago. After December, a directive may follow.

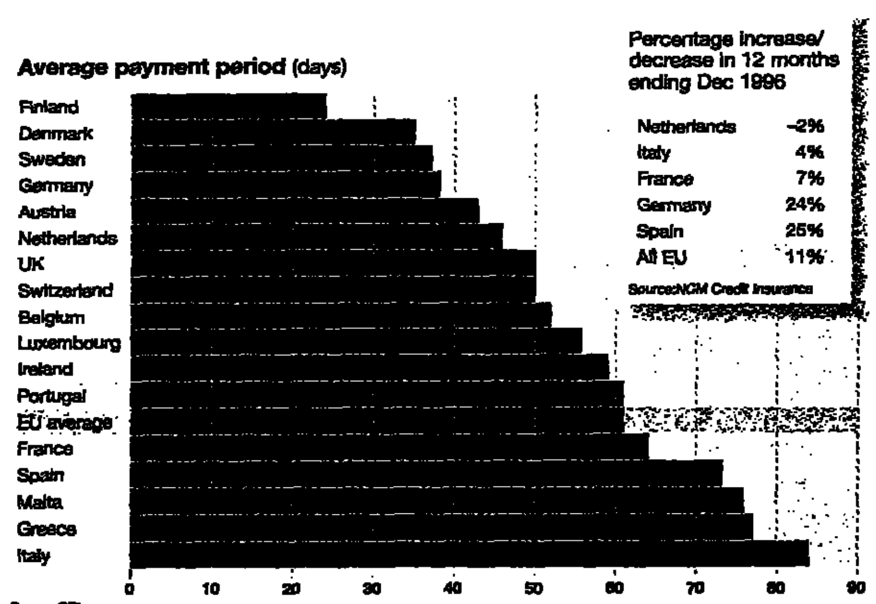
A survey by NCM Credit Insurance showed this month that late payment is a growing problem in Europe. The value of exports to the EU affected by delays increased 11 per cent for NCM's customers last year. One NCM customer in five has now lost money because an EU company did not pay. Bad debts are "particularly worrying" in France and Italy.

Mr Phil Tandy, pricing manager at NCM, names textiles, meat and fish as some of the most notorious sectors. Weak European economies are largely responsible for the growing delays. According to the UK's Forum of Private Business, fear of not being paid is the single biggest barrier to UK companies selling in the EU.

Brussels recognises that exports produce the biggest headaches for companies all over Europe. It says payment delays on foreign sales are typically 20 per cent to 30 per cent longer than for trade within a company's home country. It is time-consuming for a UK business to march into a Turin office and demand payment – and tricky to do it over the telephone in Italian.

The laws that Brussels is now commending are mainly Scandinavian. Sweden and Finland, says the EU official, are "the countries with the best legislation" on late payment. In Sweden, any company paying late has to add to its bill interest of 8 per cent above the central bank rate. The UK and the Irish Republic are the only EU states without a statutory right to interest, although in many countries this right is virtually moribund. The Commission has also recommended faster and simpler court procedures.

Late payment: bad and getting worse



Brussels is seeking similar laws in every country, so that a UK company selling to Italy knows its rights there.

However, according to the EU official, UK companies are slow to pay. Last year's British Standard on prompt payment is a voluntary code. "It is a relatively weak instrument, but better than nothing," the official says.

UK companies appear to be among the more prompt payers. The average payment period in the UK is 50 days, better than the EU's 61 days and Italy's 84. But when British companies do pay late, they are often very late. A study by Intrum Justitia, the debt collection agency, shows that a disproportionate number of them delay paying, to save money.

Mr Tandy says: "If you asked our colleagues in Amsterdam about their experiences, they would probably say the UK is one of their worst European payment areas." Late payment accounted for 5,000 of the 40,000 small UK companies that failed in 1995, according to the Federation of Small Businesses. So will the UK listen to Brussels and change its payment laws?

"The key is which party is in power," says Mr Jon Ainger, senior policy adviser in the small and medium enterprise unit of the Confederation of British Industry, the main employers' lobby.

The governing Conservative party prefers a voluntary regime. But Mr Tony Blair, leader of the Labour party, has pledged to introduce a statutory right to interest, though it would apply only to businesses over a certain size. But on this issue, at least, Labour, the largest British opposition party, appears closest to the Brussels mood.

Simon Kuper

Parades move may provoke NI anger

By John Kampfner, Chief Political Correspondent

The government is set to reject a proposal for cross-community commissions to adjudicate on sectarian marches in Northern Ireland.

Ministers have decided, in effect, to reject the main proposal of an independent report by Dr Peter North, vice-chancellor of Oxford University, for fear of antagonising pro-British "unionist" MPs from Northern Ireland. The government now depends on them for survival in the House of Commons.

The move is likely to increase hostility among nationalists in Northern Ireland. Relations have yet to recover following last July's decision by the Northern Ireland police to permit a march by the fiercely Protestant Orange Order through a Roman Catholic estate in the small town of Drumcree.

Dr North will publish his 250-page report in Belfast on Thursday. It is expected to suggest a five-strong tribunal and a statutory code of conduct for parades. Ministers said the broad thrust of the recommendations would be welcomed, but that further consultation would be required before emergency legislation could be introduced.

"Some smaller bits we could live with, but there's no way we can be rushed into something so controversial as a tribunal," a senior member of the government said yesterday. "If there is a solution, it can only be found in the long-term."

The proposal would anger pro-British politicians from Northern Ireland on the grounds that it would give the government of the Republic of Ireland a say in Northern Ireland affairs. Under the 1985 Anglo-Irish agreement, the republic's government would be entitled to nominate candidates to public bodies.

Unionists from Northern Ireland have warned British ministers that they might bring the UK government down over what they would see as a *de facto* veto for nationalists over Protestant marches.

Nation high in league for adopting EU social laws

By Caroline Southey in Brussels

The UK ranks among the top four EU countries for putting into place laws on social policy, according to a league table to be published by the European Commission today. Britain, along with Sweden, Germany and Denmark, has translated 96 per cent of 50 EU directives covering labour law, equal treatment and health and safety into national law. Only Finland does better with a 100 per cent record.

EU officials said Britain's record was surprising, given its government's strong opposition to social legislation from Brussels. The UK has an opt-out from the EU social chapter and recently sought to have the EU's working time directive struck down by the European Court of Justice.

"The evidence shows the UK has been swift to implement the laws, even though they gave everybody a hard time before their adoption," an EU official said.

The country with the worst performance is Spain, which has transposed 36 of the 50 directives, followed closely by Italy, Belgium, Greece and Portugal.

Mr Padraig Flynn, European Commissioner for social policy, will today warn that the Commission will be targeting countries that fail to implement social legislation, particularly directives relating to health and safety in the workplace.

He will say that the Commission will be quick to refer infringement cases to the European court, pointing out that three cases are pending against the Republic of Ireland, Belgium and Spain. Mr Flynn will also say that member states are now open to fines if the Commission is forced to take them to court for a second time on infringement charges. The Commission this month announced a system of financial penalties which will come into force if member states ignore European court rulings.

Banks 'still need branch networks'

By George Graham, Banking Correspondent

Banks will continue to need their branch networks in spite of the advance of new distribution channels such as the telephone and the personal computer, says a study by KPMG, the consultancy firm.

In a survey of 45 leading banks in six countries, KPMG found that although some trimming of branch networks is planned over the next five years, most expect little or no reduction in the volume of financial transactions handled by their branches. "Branch numbers will continue to decrease, but it won't be a wholesale slaughter," said Mr Philip Middleton, partner in charge of banking strategy at KPMG.

Research carried out for KPMG by NOP, the opinion polling group, found that many bank customers were still very reluctant to use newer channels to deal with their banks.

NOP found that 40 per cent of consumers said they would definitely not use a PC or interactive television to obtain financial product information, and 25 per cent would not use a cash machine. One in five said they would definitely not telephone a bank operator, but only 13 per cent would refuse to telephone a branch.

Small-town innovator defies appliance giants

Maker of revolutionary vacuum cleaner has assembled research team to design washing machines

In a sleepy corner of southern England, one of the country's fastest growing manufacturing companies is planning an assault on the world's domestic appliance industry.

Dyson Appliances, based in the quiet country town of Malmesbury 120km west of London, has in four years shot to annual sales of £100m ($167m) by inventing a revolutionary type of vacuum cleaner.

Mr James Dyson, the company's founder and chairman, has assembled a 60-strong research group, mainly comprising people in their 20s, to spearhead his development push into new product areas. Washing machines are among his targets. Mr Dyson, a 49-year-old who trained as a designer at the Royal College of Art, says his research team is looking at new types of washing machine that will outperform existing products.

He is unimpressed by the innovation record of the world's biggest white goods companies, including Electrolux of Sweden, General Electric and Whirlpool of the US, and Matsushita of Japan. "The domestic appliance industry is dominated by multinational companies which all know what their rivals are doing and which have no interest in coming out with new technologies that upset the status quo," he says. "In principle, today's washing machines are very much the same as when they were first invented. The whole area of domestic appliances is ripe for technological innovation and new products."

Dyson Appliances is responsible for every seventh vacuum cleaner sold in the UK. Its systems are based on a unique design which dispenses with a bag, collecting dust in a plastic container through centrifugal force.

With a new design that banishes the conventional dust collection bag and picks up dirt using a novel air-swirl system, the Dyson "upright" cleaner (it also sells a "cylinder" product based on the same principles) is the biggest selling vacuum cleaner in the UK.

In the past year, roughly 400,000 of his machines have been sold, out of total sales of 3m worth about £300m at retail prices. Taking into account the different brands of the main companies in the market, Dyson is the third-biggest supplier of vacuum cleaners in Britain in unit terms, and the biggest in sales terms.

James Dyson is unimpressed by the multinationals' record

About 15 per cent of Dyson's vacuum cleaners are sold outside the UK, but within three years Mr Dyson wants this figure to reach 70 per cent. He reckons there is particular potential in Japan, France, Germany and the Benelux countries. Mr Dyson owns 100 per cent of his company and he says he has no plans to bring in other shareholders or to go public. The company has no sizeable bank loans and, he says, last year made net profits at around 20 per cent of turnover. "It would be nice to keep the company independent rather than to go public. The basic aim for Dyson is to be a product development company planning for the long term."

Even though executives in the white goods industry might have their doubts about some of Mr Dyson's visions, they share his thinking that he is right to want to broaden out his product range. "At the moment he has a one-product company which is bound to be very vulnerable," says one commercial rival.

Mr Ernst-Uwe Hanneck, UK managing director at Bosch-Siemens Hausgeräte, the German company that is Europe's second-biggest maker of appliances, says: "Mr Dyson's ambitions are not going to give me sleepless nights. Washing machines are a very settled market and you would need to be a genius to come up with something new."

Peter Marsh

UK NEWS DIGEST

TV channel chief to quit

Mr Michael Grade, the chief executive of Channel 4, is to step down this year to pursue other business interests, the television channel's board announced last night. Channel 4 is part of the terrestrial commercial television network and is thought to be a possible candidate for privatisation if the governing Conservative party wins the coming general election.

Mr Grade said last year he would "fight to the last breath in my body" against the privatisation of the channel. Sir Michael Bishop, chairman of Channel 4, said: "Michael Grade has told me he wishes to leave the television industry and pursue his other business interests. Since 1988, Michael has directed Channel 4 with skill, determination and style."

■ QUEEN'S YACHT

Former premier attacks ministers

Sir Edward Heath, Conservative prime minister from 1970-74, yesterday attacked the way the present Conservative government had announced a £60m($100m) replacement for the royal yacht Britannia. He said the behaviour of ministers had been "not honourable". Labour, the biggest opposition party, warned at the weekend that if it won the coming general election it would not provide the cash from public funds. The 44-year-old vessel hosts the royal family on visits outside Britain and is used for official receptions.

Sir Edward said on BBC Radio that it would be a mistake for the Conservatives to include a pledge to fund a replacement Britannia out of public money in the election manifesto. Sir David Steel, former leader of the centrist Liberal party, said: "It is certainly very foolish to involve the royal family in a political row."

Editorial Comment, Page 17

■ ROYAL AIR FORCE

US transport planes preferred

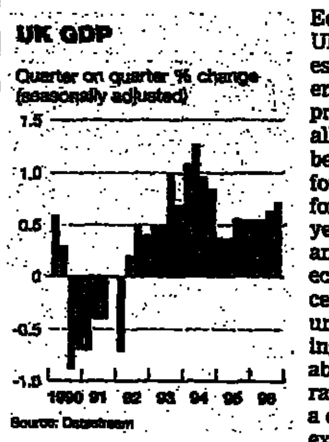
The Royal Air Force is pushing the UK defence ministry to lease six large C-17 US transport aircraft to help move heavy equipment for the new British rapid deployment force. McDonnell Douglas – which makes the newly-designed, jet-powered C-17 – has submitted an unsolicited proposal to the ministry on the costs of leasing the aircraft. But the ministry is unlikely to make any early decision on its military transporter needs until later in the year, when the future of the European Future Large Aircraft becomes clearer.

France and Germany are discussing how to finance the $5bn development cost of the FLA, which is smaller than the C-17 and powered by slower turboprop engines. In 1994 Britain said it would join the FLA programme, provided it was commercially managed by Airbus Industrie and built to a fixed cost. But the programme has since run into difficulties because of cuts in the French and German defence budgets.

The RAF, which has never wanted the FLA, is lobbying to buy a small number of C-17s, as well as replacing its smaller Hercules transporters with a new version of the Lockheed C-130J Hercules. The RAF is already replacing 25 of its Hercules with the new C-130J and will need to replace the other half of its fleet from 2004. If the FLA is to meet that timetable, development would have to start this year. If the project collapses, however, serious consideration may be given to the C-17. *Bernard Gray*

■ THE ECONOMY

Growth at fastest rate for 2 years



Economic growth in the UK accelerated to its fastest rate for two years at the end of 1996. Gross domestic product grew by a seasonally-adjusted 0.8 per cent between the third and fourth quarters, the Office for National Statistics said yesterday. Excluding oil and gas extraction, the economy grew by 0.7 per cent in the fourth quarter, unchanged on the preceding quarter. This is slightly above the long-term trend rate of around 0.6 per cent a quarter and suggests the expansion is continuing to nibble away at any spare capacity left in the economy. The economy has now grown by more than 12 per cent on this basis since the trough of the last recession almost five years ago. Mr Kenneth Clarke, the chief finance minister, said yesterday that the economy had gone "from strength to strength" in 1996 and that the outlook for 1997 was even better. *Robert Chote*

■ MANUFACTURING

Skills shortage bites in heartland

A shortage of skilled workers in the UK's industrial heartland is causing employers to suffer their worst recruitment difficulties for more than six years. Manufacturing and services employers in the west Midlands say the task of recruiting staff for skilled and semi-skilled jobs has become harder in the past three months. Employers in Birmingham, the second largest city in England, blame the labour shortage on a combination of factors including a poorly-motivated workforce and the benefits trap, in which wage levels are too low to make it financially worthwhile to leave state benefits.

According to Birmingham Chamber of Commerce – the UK's biggest chamber, representing more than 5,000 employers – 48 per cent of manufacturers reported recruitment difficulties last month, compared with 38 per cent at the same time last year. *Richard Wolffe*

■ EQUALITY

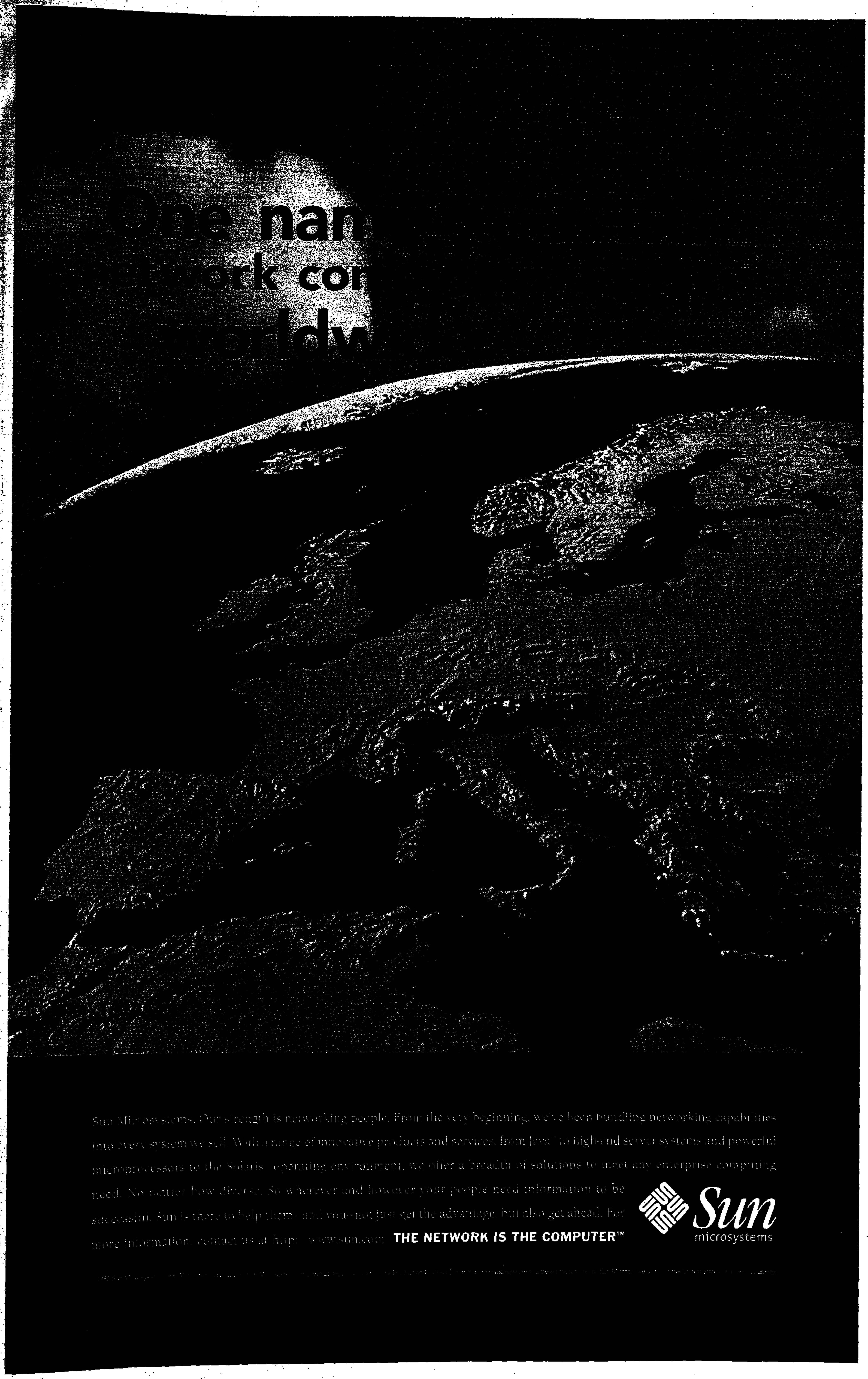
Pay gap wider for managers

The pay gap between men and women in managerial positions is wider than in professional occupations as a whole, according to the Equal Opportunities Commission. It says female bank managers earn 36 per cent less than their male colleagues, while for general administrators and managers the gap is 42 per cent. Women secondary teachers fare better, with a gap in the hourly rate of earnings of just over 10 per cent. Women in professional positions earn between 80 per cent and 90 per cent of their male colleagues' pay. Women in sales and craft occupations earn only 70 per cent of male earnings. Just as the pay gap varies between occupations, the EOC says it also varies between sectors. The gap is much narrower in the public sector, where women earn 80 per cent of men's weekly earnings, than in the private sector, where they earn only 67 per cent. *Andrew Bolger*

■ ELECTRONICS

Sumitomo to expand Welsh plant

Sumitomo Electric Europe of Japan is to create more than 80 jobs in a £2.8m ($4.7m) expansion of its plant at Port Talbot, south Wales. The company will make cables for electronic appliance manufacturers in mainland Europe. The expansion is being grant aided by the government's Welsh Office. *Roland Adburgham*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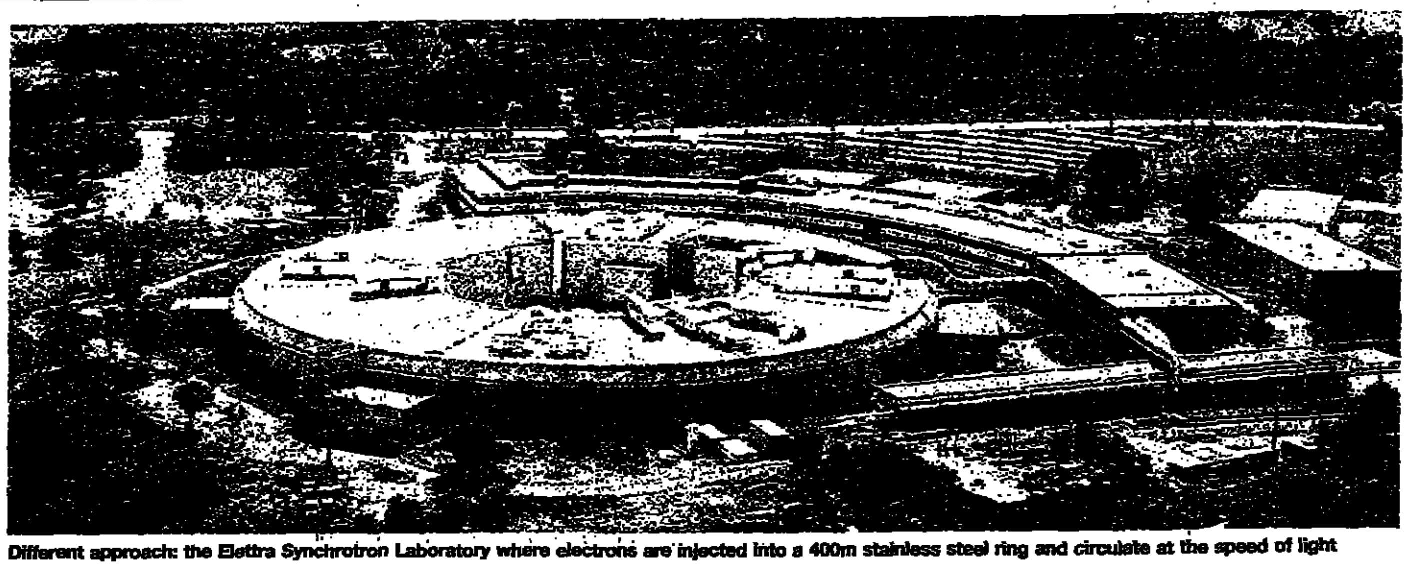
'Soft' X-ray advances have a variety of medical and dental applications, writes **Bruce Dorminey**

A source of high energy



Different approach: the Elettra Synchrotron Laboratory where electrons are injected into a 400m stainless steel ring and circulate at the speed of light

Almost everyone has had their mouth prised open for a dental X-ray, but bring up the subject of synchrotron radiation and most would be left with their jaws hanging.

Yet these high-energy "soft" (or long wavelength) X-rays are pushing researchers towards technological advances in radiology, pharmacology and microfabrication. If the X-rays in the dental surgery are like a light bulb, radiating weakly in all directions, these are a million times brighter and are tightly focused like a laser.

X-rays have brought enormous benefits to medical and dental patients over the past century. But there has not been very much progress in how X-rays are produced since Wilhelm Conrad Röntgen first discovered them 100 years ago, says Giorgio Margaritondo, experimental co-ordinator for the $200m Elettra Synchrotron Laboratory outside Trieste.

In conventional X-ray production, electrons generated from a heated metal wire use alternating voltage to bombard a metal strip mounted inside a vacuum tube. The metal then transfers these electron beams into X-rays. Unfortunately, no matter how the tube is modified, X-rays are emitted in all directions, says Margaritondo. Most medical X-ray applications still use the Röntgen technology, so have to be shielded.

The approach taken by the Elettra laboratory is different. Electrons (charged elementary particles) are injected from a 100m tube into a 400m stainless steel ring and circulate at the speed of light in an almost perfect vacuum. Left to themselves they would move in a straight line, but a system of magnets bends their path, causing them to lose radiation or X-rays, which can normally be continuously emitted for 24 hours.

Because of the high energy produced by the process (2.4 giga electron volts or 100m times the energy of a nine-volt flashlight battery) and greater accuracy in controlling the beam, Elettra's brightness is equal to that of the interior of a burning Saturn V rocket nozzle. The main X-ray beam is several centimetres in diameter, with beamlines squeezed out from the centre of the ring through tiny holes in the ring wall. As a result, a beamline can be focused to a dimension one hundred times less than the thickness of a hair follicle. Nine such beamlines are operating at Elettra, with three more planned by the end of this year.

With such focus and sensitivity, radiology could be taken to whole new levels. Low-radiation mammography at doses five to 10 times lower than at present would give women the option to have more frequent examinations for breast cancer.

Soft X-rays will also dispose of the need for risky heart catheterisations in angiography (or radio logical detection of coronary disease). Instead of requiring iodine to be shot straight into the heart, only a peripheral injection would be needed to get the same results.

By applying soft X-rays to the fast-growing field of microfabrication, with synchrotron X-ray lithography an entire mould for a micro-turbine could be made with an accuracy of 1,000th of a millimetre. Such extremely small mechanical objects integrated with electronics could create workable microcomputers capable of gauging surrounding temperature, gas composition, and pressure.

Microfabrication applications include intelligent pills, whereby a microdoser inside an implantable capsule would make decisions on when to release medicine by measuring the level of pathogens in the bloodstream. "Several biomedical industries already have interesting prototypes of implantable drug delivery microsystems with some intelligent part on board," says Francesco De Bona, a mechanical engineer at the University of Udine in Italy.

"But the near future will focus on integrating microfabrication processes with microelectronics to obtain already existing devices at lower prices and increased reliability – as has already occurred with automotive air bag accelerometers and engine pressure sensors."

Soft X-rays can also be used in crystallography for pharmaceutical development, since their wavelengths are close to the inter-atomic distances between molecules and solids. Because the X-rays can be used to examine such minute distances, the pharmaceutical industry can carry out its searches for new interactive drug mechanisms on a more fundamental level.

Electrospectroscopy offers yet another medical application where soft X-rays can be sharply focused locally to view synapses of the brain. This would give researchers a snapshot of the brain's chemical make-up, enabling researchers to know what impact a contaminant is having on a brain cell at a level of one 10,000th of a micron.

The new X-ray technology is already being applied on a day-to-day basis in the microfabrication of micro-filters and in connectors for optic fibres. But while applications for mammography are only three to four years away, other medical applications are unlikely to be available for another 10 years or more. Margaritondo eventually expects to see regional synchrotron radiation medical centres at about one fourth the size of Elettra for a cost of $30m-$40m.

Meanwhile, a fourth generation synchrotron reactor is already being planned for a site just outside Geneva with one characteristic that has never been present in X-rays before – coherence.

This is an optical characteristic making it possible to have diffraction (spreading or bending) similar to a laser. Two Swiss research groups, the Swiss Institutes of Technologies and the Paul-Scherrer Institute, are co-sponsoring the project. If the Swiss parliament gives the expected go-ahead this spring, the SFr159m ($120m) Swiss Light Source (SLS) should begin operating with five beamlines by 2001.

"SLS will bring about improvements in brilliance and coherence that will facilitate experiments in X-ray holography and more profound structural analysis," says Bruno Reihl, SLS's head of experimental infrastructure. "It will also have a brightness equal to about 80 per cent of the surface of the sun."

Trials support HIV drug combinations

Clive Cookson on the encouraging results presented to an Aids research conference

This year's main conference on Aids research, which took place in Washington over the weekend, has produced powerful new evidence that drug combinations offer the best prospect of beating HIV, the virus that causes the disease.

Scientists reported encouraging results from many different clinical trials, involving two-way and three-way combinations of antiviral drugs. The fast-mutating HIV finds it far harder to evolve resistance to drug cocktails than to single compounds such as AZT.

The trials show that combinations of two drugs can cut the levels of HIV in a patient's bloodstream by 97 per cent to 99 per cent. A triple cocktail may work even better, reducing the viral level to below the limit of the detection test used.

There are two main classes of anti-HIV drug, which work by blocking different enzymes in the virus. Reverse transcriptase inhibitors such as AZT came first; they stop HIV replicating itself. Protease inhibitors such as Merck's Crixivan, which are now reaching the market, interfere at a later stage of the viral life cycle; they prevent the maturing of new virus particles that have just "budded off" a human cell.

Results presented at the Washington Conference on Retroviruses and Opportunistic Infections show that combinations of drugs from the same category – for example two reverse transcriptase inhibitors such as Glaxo Wellcome's 3TC with Bristol-Myers Squibb's d4T – are very effective.

When drugs from different classes are combined, the results may be even more impressive. One promising pairing involves two experimental drugs designed by Vertex of the US and developed by Glaxo: 141W94 (protease inhibitor) and 1592U89 (reverse transcriptase inhibitor).

The problem for doctors is that with so many possible combinations on the market – and lots more in development – it is impossible to know which drugs to use on particular patients at different stages of HIV infection.

Yet there is evidence that the order in which patients take drug combinations has an important impact on the development of infection.

For example, one study reported in Washington found that d4T plus 3TC was effective as initial therapy but worked less well if used after AZT plus 3TC. In general, drug combinations work better on people who have not received any previous anti-HIV drugs – who are "treatment-naive", in pharmaceutical jargon.

Glaxo yesterday announced a research programme with Affymetrix, a Californian company in which it has a 34 per cent stake, to improve the clinical management of HIV and Aids. The goal is to tailor treatment regimens to the pattern of resistance mutations within the virus.

Scientists from the two companies will begin building a database that correlates genetic information on HIV with the virus's sensitivity to different drugs and to the patient's clinical experience.

If this proves successful, they will expand the programme to collect data from tens of thousands of patients with HIV who are currently being treated with a wide range of drugs.

The project is an application of Affymetrix's GeneChip technology, which consists of DNA probe arrays on a chip, instruments to analyse the results and software to process genetic information. "This will be a third stage in the development of tools to guide patient management," says Brendan Larder, a Glaxo HIV researcher.

"The first was to use CD4 cell counts, and now we use viral load assays. Next, we want to track genetic mutations in the virus."

Many clinicians believe that, with good management tools, they will be able to control HIV infection – and prevent indefinitely the development of full-scale Aids – with combinations of two drugs.

Three-way combinations, which are a nightmare for the patient, would only be used in exceptional circumstances.

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The Companies Law (Revised)
(Cap. 22)

TAKE NOTICE THAT the following is a Special Resolution which was passed by the members of the above named company at an Extraordinary General Meeting of the Members held on January 24, 1997.
The Resolution read as follows:

"RESOLVED THAT Christopher D. Johnson and Alan J. Davies of P.O. Box 219, Butterfield House, George Town, Grand Cayman, British West Indies, be appointed Joint Liquidators for the purposes of winding up the Company and that either of them shall have the power to act alone in the winding up."

NOTICE is hereby given that creditors of the above named company are required, on or before February 21, 1997, to send full particulars of their debts or claims to the Joint Liquidators of the said company.

In default thereof they will be excluded from the benefit of any distribution made before such debts are approved.

Dated this 24th day of January, 1997.

Alan J. Davies
Joint Liquidator

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LAW

Council duties unlawful

EUROPEAN COURT

The European Economic Area (EEA) agreement was scrutinised by the Court of First Instance in a recent judgment, in which it held that duties imposed by the Council of the European Union on imports of gearboxes produced by General Motors Austria were unlawful.

The duties were imposed by way of a Council regulation which entered into force on the day of its publication in the Official Journal. Although dated December 31 1993, the relevant journal was not published until January 11 1994.

Between those two dates, the EEA agreement, which applied to Austria, had come into effect. The regulation imposing the duties was adopted under the EC-Austria Free Trade Agreement, which applied prior to the EEA agreement.

The reason given for withdrawing the concessions was that General Motors Austria had received unlawful state aid for the production of the gearboxes. The company brought an action against the Council, alleging that it had acted unlawfully in adopting the relevant regulation by breaching the provisions of the EEA agreement.

The first issue examined by the Court was whether the Council had acted in bad faith by promulgating the regulation which, although not unlawful at the time of its adoption, would be shortly thereafter.

The Court said that the principle of good faith was a rule of customary international law whose existence was recognised by the International Court of Justice and therefore was binding on the EU. The principle of good faith was the public international law corollary of the principle of the protection of legitimate expectations, which formed part of the EU legal order.

In a situation in which the date of entry into force of an international agreement was known by the EU, the Court ruled that traders could rely on the principle of legitimate expectations in order to challenge the adoption of an act which was contrary to the provisions of the international agreement, even though such provisions came into force after the act was actually adopted.

The issue was whether the imposition of the duties was in breach of the provision. An issue arose as to whether the provision should be interpreted in the same way as the corresponding rules in the Treaty of Rome or whether it should be interpreted differently.

Although big differences existed between the treaty and EEA agreement, the Court found that the similarities were such that the provision should be interpreted in conformity with the relevant jurisprudence relating to the treaty. That jurisprudence made clear the prohibition on customs duties even when of a fiscal nature, as in this case.

The Court rejected the Council's argument that the duties did not constitute a duty but rather a safeguard measure which did not fall within the EEA provision.

It found that the measure constituted a pecuniary charge imposed unilaterally by the EU on the gearboxes by reason of the fact that they crossed a frontier.

Consequently, it constituted at the very least a measure of equivalent effect to a customs duty within the meaning of the EEA provision and therefore, by adopting the regulation in breach of such provisions, the Council had infringed the applicant's legitimate expectations.

The Court also found that by creating a situation in which two contradictory systems of law would exist, the Council infringed the principle of legal certainty. The Court therefore annulled the regulation.

T-115/94: Opel Austria GmbH v Council, CFI 4CH, January 22 1997.

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INTERNATIONAL PEOPLE

Amer brings in new blood

Amer, the Finnish sporting goods group, has brought in two outsiders to senior executive positions as it works to recover from a period of losses and structural upheaval.

Pekka Paalanne is moving from Kone, the big Finnish lift maker, where he is currently in charge of corporate control based in Brussels, to become chief financial officer and second in rank to Roger Talermo, Amer's chief executive.

Paalanne succeeds Kari Miettinen, who is leaving Amer after a controversial period during which he survived a public disagreement with Talermo's predecessor – who was subsequently fired by the board. At the same time, Uero Alperi is to leave Merita Bank, where he headed risk management and corporate finance, to head Amer's corporate planning and strategic supervision.

The two newcomers join Amer, the world's second largest sporting goods supplier, as it aims to reach break-even this year after weak sales in its main product lines pushed the group into loss in 1996.

Hugh Carnegy, Stockholm

Cayman exchange

The Cayman Islands government has appointed Anthony Travers, a senior partner with Maples & Calder, one of the islands' largest law firms, to be chairman of the council of its new stock exchange.

The exchange came into legal existence at the start of this year, and David Carrad, a US lawyer who is acting chief executive, hopes its first listings will be in place by the end of March.

The impetus for its creation came from the realisation that many offshore mutual funds registered in Cayman were being forced to look to Dublin for a formal stock exchange listing, which some investors, especially in Japan, require.

Carrad, who is currently looking for applications from lawyers and banks to be recognised listing agents, believes the exchange will also be used for some Eurobond trading as well as for special purpose collateralised securities. A handful of local companies may also seek a listing. "Mutual funds are not the only thing we are going to do, but I think it is entirely fair to say that if there were no offshore mutual funds on Cayman, the exchange would not have been set up," he says.

George Graham, London

Japanese first

The appointment of Noriko Yoshimori (left), 61, as the first woman president of Magazine House, a medium-sized publishing company, has raised eyebrows in the male-dominated conservative, world of Japanese publishing.

Yoshimori began her career with the publishing house in 1959 on the editorial side of operations. She rose to executive management in 1988 after being chief editor of two leading womens' magazines in the 1980s.

In Japan, gaining chief-editor status alone is regarded as an achievement for a woman, as many prominent womens' magazines are edited by men. Yoshimori was credited with the success of the two magazines, and gained a reputation for strong management skills and what her close associates describe as a "workaholic nature".

In 1995, she was appointed senior managing director of the company and now rises to president. She is now overseeing the creation of a new magazine for professional Japanese women, due to launch in March.

Gwen Robinson, Tokyo

Novartis US chief

Wayne Yetter, 51, chief executive of Astra Merck, has been appointed chief executive of Novartis Pharmaceuticals Corporation, the US arm of the world's second biggest pharmaceuticals company. Matthew Emmens succeeds him as acting chief executive at Astra Merck.

Novartis, which was formed at the end of last year by the merger of Ciba and Sandoz, has had some difficulty filling the US top slot, which accounts for close to a third of the group's \$13bn worldwide turnover. Mark Pulido, head of Sandoz's US pharmaceutical business, left to become chief operating officer of McKesson Corporation, and James Callahan, his opposite number at Ciba, opted for early retirement.

Yetter has worked on the sales and marketing sides of Pfizer and Merck, two of the biggest US drugs companies, and for the last five years has headed the US joint venture between Merck and Astra, a Swedish pharmaceuticals company.

William Hall, Zurich

Telefónica fresh face

The newest of the new faces in the revamped management board of Telefónica, the Spanish telecoms group, is 34-year-old Fernando Abril Hernández, moving from JP Morgan's Spanish office as director of corporate finance. He takes up the post just before the company's final privatisation issue, with the state set to sell its remaining 21 per cent stake in a \$4.4bn global offering next month.

Abril, whose father was a centrist economy minister and deputy prime minister in the early post-Franco years, is the third top executive to have been hired from a US bank by Juan Villalonga, the Telefónica chairman appointed by the government last year. The finance post has been vacant since November, when Francisco Mochón moved to the group's international side with particular responsibility for new business in Asia.

David White, Madrid

ON THE MOVE

■ Mieko Nishimizu, 48, will become the WORLD BANK's highest-ranking Japanese career staff member on February 1, when she succeeds Joseph Wood as regional vice-president for South Asia. Wood joins the president's office as senior adviser, while Jean-Michel Severino becomes regional vice-president for East Asia and the Pacific, succeeding Russ Cheethan, who is retiring.

■ Antonio Urdinola, head of the Colombian privatisation board Fogafin, becomes president of Ecopetrol, the state-run oil company and top national foreign exchange earner. He succeeds Luis Bernardo Florez, who joins the board of Colombia's central bank.

■ Charles de Queljoe has resigned as president of LIPPO Pacific Finances, part of the Indonesian conglomerate, but remains president of Lippo Securities.

■ Jean-François Lepetit, former deputy chairman of Banque Indosuez, has been appointed adviser to the chairman of BANQUE NATIONALE DE PARIS and takes a place on the general management committee.

■ Helen Isaacson joins MARVEL COMICS GROUP from Turner Home Entertainment, as executive vice-president, worldwide licensing.

■ Geert van Maanen, director general for the budget at the Dutch finance ministry, joins the supervisory board of BANK NEDERLANDSE GEMEENTEN, the municipal finance body. He succeeds Pieter Stek who recently joined the World Bank. Louise Engering also joins the supervisory board, succeeding Frank de Grave, now state secretary for social services and employment.

■ Scott Greer has resigned as president and chief operating officer of ECHLIN, the US vehicle parts maker. Frederick Mancheski, chairman and chief executive, takes operating responsibilities for the time being.

■ Kyungsup Song joins HSBC INVESTMENT BANKING from Daewoo Securities as director of corporate finance and equity capital markets for HSBC's Seoul branch.

■ Goh Chee Wee, a former government minister, becomes managing director of COMFORT GROUP, Singapore's largest taxi operator. He replaces Sam Chong Keen who joins Malaysia's Lion Group.

■ Cedric Prouvé succeeds Patrick Bousquet-Chavanne as vice-president/general manager – travel retailing at ESTEE LAUDER INTERNATIONAL. Bousquet-Chavanne returns to France as director general – international operations at CHRISTIAN DIOR.

■ Petr Budinsky, vice-general director of Komercni Banka, succeeds Richard Salzman, the bank's general director, on the board of the PRAGUE STOCK EXCHANGE. Budinsky also succeeds Vladislav Pavlat, who has resigned for health reasons, as chairman of the exchange's trading committee.

■ Laura Kendall has been appointed chief financial officer of FOOD LION, the US supermarket chain.

■ Ekkamol Khiriwat, former deputy governor of the BANK OF THAILAND, has been appointed to the central bank board, replacing Sumet Tantivejkul.

■ Victoria Cotten, 42, takes the new position of senior vice-president, purchasing, at INGRAM MICRO, the US computer and distribution company.

■ Lawrence Ang joins DEUTSCH MORGAN GRENFELL from BZW, as Hong Kong-based head of China research. Victor Kwok joined the company as head of Hong Kong research on January 1 from SBC Warburg.

■ Dominique Gardy, 45, managing director oil at SHELL France, becomes vice-president of Shell in the US and is succeeded in France by Iain Everingham.

■ Andrew Patti, executive vice-president of AMERITECH, the US telecoms group, has resigned for personal reasons and will be replaced by Barry Allen. Thomas Richards succeeds Allen as executive vice-president of communications and information products, and is himself replaced by Wharton "Zie" Rivers Jr.

■ Paul Liska, president and chief executive of Speciality Foods Corporation, has been appointed executive vice-president and chief financial officer of the ST. PAUL COMPANIES, the US property-casualty insurer.

■ Alfred Powis is appointed chairman of EDEN ROC MINERAL, Mario Caron as president and chief executive and Harry Quint as vice-chairman. Powis was chairman and chief executive of Canada's Noranda mining group until 1995. Caron was previously chairman and chief executive of MSV Resources.

■ Michael May, president of SITEL, the tele-marketing company, becomes group chief executive. He inherits the role from James Lynch, Sitel's founder, who remains chairman. Phillip Clough, currently with investment banking firm Alex Brown & Sons, is the group's new president.

■ Francis Tiong, chief executive of Rimbunan Hijau, a Malaysian logging company that buys 80 per cent of Papua New Guinea's log exports, has joined the board of PNG's National Forest Authority.

■ Janet Clark has been appointed vice-president and chief financial officer of SANTA FE ENERGY RESOURCES, the US oil and gas company. She succeeds Graham Whaling, who has become chairman and chief executive of Monterey Resources, a Santa Fe subsidiary.

■ Scott Cook, co-founder and chairman of Intuit Software, joins the board of AMAZON.COM, the internet-only bookstore headquartered in Seattle.

■ Randy Zwirn, 43, rises to president of WESTINGHOUSE ELECTRIC's power generation business unit, succeeding Frank Bakos, who is retiring.

■ Richard Drouin, a former chairman and chief executive of Hydro Quebec, has been appointed vice-chairman of MORGAN STANLEY CANADA.

■ Tom Minner rises to chief executive of GNB TECHNOLOGIES, the US subsidiary of Australia's Pacific Dunlop.

■ Thomas Lagow, 55, executive vice-president of marketing at USAIR, has resigned. He joined the company in 1992 from United Airlines.

■ Alois Sonnenmoser is promoted to succeed Edwin Somm as president and chief executive of ABB Switzerland from April 1.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Attitude rather than talent

William Packer reviews 'Belladonna' at the ICA

Belladonna, literally "Fair Lady", is another name for the Deadly Nightshade, and carries with it all that plant's ambiguity of presence and meaning, at once seductive and deadly. For from it comes the drug *atropine*, that was long valued as a cosmetic, especially in Italy, in full knowledge of its poison. And as Lempriere tells us, "Atropus" is the eldest of the Fates, "inexorable and inflexible, (whose) duty among the three sisters is to cut the thread of life, without any regard to sex, age or quality." Even today, such are the imperatives of Vanity, to risk Death for Beauty is not unknown.

Belladonna, the exhibition now at the ICA, clearly aspires to live as dangerously, though the preoccupations of the selectors would appear to be less with external beauty than with other, more private side-effects – "difficulty in speaking, flushed skin, rapid heartbeat and dilated pupils, and neurological disturbances including excitement, giddiness, delirium and hallucinations" runs the list of symptoms.

It is, we are told, an international show "for the *fin de siècle*, excessive, decadent, irrational, intoxicating." Well, hope springs eternal but, with this farrago of work from some 29 artists, most of them young and modish, no luck this time. Though some of the work does go back to the 1960s, the rationale is evidently very *much of the moment*, the justification never set in formal terms but always in those of idea and effect. How surprising it is, for example, to find Bridget Riley in this company, and with the one truly beautiful canvas in the show, a simple lateral wave motif in red, white and green, dating from 1967. And yet how unsurprising, for were it not for the palpable optical effect for which her work has always been superficially notorious, with its sensation of actual dizzying movement, it would hardly have been included.

For the rest we have little *more than an incoherent* array of latterday reworking of old narrative, dadaist and surrealist ideas. Individual items are diverting enough, and even persuasive in themselves. Paul Thek's darkly sardonic objects from 1966 – a set of pink false teeth with grey striped gums, and an horribly gungy drink in a tall glass – more Punk than Pop, get us off to a goodish start. And Kerry Stewart's free-standing grey cape (1996), in open homage to Magritte, does have an authentic sculptural presence.

But in truth the tone of self-consciousness and pretension is set at the door. There, chained to the barrier, is Elizabeth Wright's racing bike (1996), larger than life. "Each nut, bolt, gear and sticker", so we are told, breath bated, "has been obsessively replicated and enlarged by exactly 135 per cent." I don't know about obsession, but I do know what Gulley Jimson said of *farting "Annie Laurie"* through the key-hole: "all very clever, but is it worth the trouble."

'Girl is Growing Up' by Paul de Reus. An amusing toy that sums up the show: diverting, crude and empty-headed

Liza May Post, a young Dutch artist, shows us a short video of a tonsured girl sitting and warming her long legs before a fire in the *middle of the floor. She also* shows two colour photographs, rendered important only by their size, of a man lifting up a woman, a commonplace of academic narrative, and another of a pale girl palely staring out of a pale window (all 1994). Round the corner Andreas Kursky shows another large photo of an expanse of grey carpet (1993), and Annika *von Hausswolf one of an* Alsatian on a misty beach, sitting guard over a blanket-shrouded body (1995). So much for the disturbing, dangerous effects of Belladonna. More like Mogadon.

It is the posturing self-importance of such things that is disturbing. Here is Karen Kilimnik, with a group of small canvases of eye-numbing banality and ineptitude, perfunctorily-restating images from magazines and older art that was infinitely better done (1995). The proposition yet again is taken for the resolution, and what the artist now could never do is mocked, and that mockery *glibly excused as irony and* aesthetic subversion.

Next we have Dick Bengtsson, who died in 1989. A self-taught artist, he lived deep in the Swedish countryside, but hated landscape so much that he painted it from photographs in magazines (1970s). *It shows. He also* hated "the bourgeois art market . . . and ironically used a faker's patina to falsely age (sic) his work." Well, well. He reminds us that "nature is never innocent: that the solid security of a Swedish church . . . is an image which masks less palatable historical truths, particularly his country's complicity during World War Two." *I like the "particu*larly". Here obviously was a most profound, issue-addressing, thought-provoking, serious and thus significant artist of our times. Ham-fisted too? It doesn't matter. Attitude is everything.

Upstairs is Paul de Reus's rather crudely modelled wooden figure of a little girl in a grey frock. She has no face, but we hardly notice as her head spins so fast and her long hair flies out. It is an amusing toy that is yet the image of the whole show: diverting, crude, pseudo-profound, empty-headed, ultimately tedious.

***Belladonna*: Institute of Contemporary Arts, The Mall SW1, until April 12: sponsored by Toshiba.**

Theatre/**Sarah Hemming**

Getting physical

Presumably if Frantic Assembly ever stages a quiet, meditative show, the company will have to change its name to Thoughtful Gathering, or some such. *But, as it is, the name suits* admirably.

This is a company for whom the term "physical theatre" could have been invented; its members career about the stage, they hurl themselves against the walls, they dash themselves onto the ground in frenetic displays of high impact choreography. Little wonder that, at one point in its new show, one of the company divulges that the question most often asked of them in the bar after the show is "do you have bruises?"

Along with other companies, such as Volcano theatre *company, the Swansea* based Frantic Assembly use this energetic, almost reckless style to express its view of a bruising world. It last visited BAC in November last year, with *Klub*, a similarly frenetic piece, which examined the attraction of clubbing for young people and coupled a club atmosphere with monologues from the cast exploring the loneliness and alienation of a jobless generation. This time its show is called *Flesh* and, as you might expect, there is plenty of the same on view, plus some handcuffing, gyrating and wildly suggestive choreography.

But the company's themes are, again, loneliness and exploitation. Any titillation is constantly undercut with reminders of the sordid nature of the numerous sex trades and teasing is kept modest by relatively chaste silk boxer shorts. The actors play wittily with the idea that the audience has bought them, and all they have to offer, for the evening, and they both exploit and expose the vanity and physicality of all performance.

The show's structure is similar to that of *Klub*. The fourstrong cast – two girls, two guys – bounce from one sequence to another: short dramatic dialogues segue into dance routines and monologues, generally featuring writer Spencer Hazel's self-conscious, but entertaining wordplay. Again, as in *Klub*, there are microphones on either side of the stage, which one or other of the cast will seize from time to time to take control of the show, and, as in *Klub*, the performers blur fact and fiction in confessions about their lives which may or not be true – a tactic often used to good effect by Nigel Charnock, another physical performer who pays little heed to his personal safety.

Despite the subject matter, there is a charm and sincerity about the company that is extremely hard to resist. All four performers – Korina Biggs, Cait Davis, Scott Graham and Steven Hoggart – are disciplined and appealing, and throughout, the show is witty, seductive and attractively self-mocking. The company might be better devising an entirely different format for its next piece, but that aside, this is a young company with plenty to say and a refreshingly direct way of saying it.

At BAC, London SW11 to February 16 (0171 223 2223).

Jazz/**Garry Booth**

Rooted in the rhythm

One of the surprise jazz hits of 1996 was guitarist Ernie Ranglin's album *Below The Bassline*. Surprising not because wide acclaim is undeserved, but because 64-year-old Ranglin has waited so long for it.

Jamaica born and bred, Ranglin is a veteran of the *Caribbean jazz and reggae* scene. An arranger and session man with Studio One, the pioneering ska label, Ranglin was behind the first worldwide reggae hit, Millie's "My Boy Lollipop". Later he worked with Bob Marley, and continued to run his own small straight-*ahead jazz groups, in* Jamaica and the US.

Below The Bassline, which provided the set list for a brief residency at London's Jazz Café last week, brings it all together. A mixture of bubbling reggae grooves and breezy jazz melodies, Ranglin's sound is irresistible. *The material, covers of* dread classics like Toots' "54-46", the Abyssinian's "Satta Massagana" and *Augustus Pablo's* "King Tubby Meets…" is distilled down to its essence. Rock-steady drum and booming (acoustic) bass provide gentle low frequency momentum while guitar and piano trill a top line.

Ranglin, who plays fast with a stiff pick or thumb, *chips off his notes bright* and pristine, and flares chords with a flourish. If the same phrases are sometimes repeated and his clucking harmonics on the neck is a much-used device, it is because this is jazz-reggae and aimed as much at the feet as the head. Bass player *Ira Coleman, too, strikes the* right balance between hypnotic timekeeping and solo interludes which unravel the rhythm with witty quotes from "Eleanor Rigby", for example.

Island Jamaica Jazz has promised to put Ranglin and Coleman back together in *the studio, possibly with* Jamaican pianist Monty Alexander. I can't wait.

Concerts in London/**David Murray**

New music, old favourites

The title of Sofia Gubaidulina's new *Impromptu*, which the Deutsche Kammerphilharmonie Bremen played at the Barbican last week, proved to signify not a light, occasional piece, but an organised fantasy that starts from Schubert's much-loved *Impromptu in A-flat*. For the Schubert bicentenary, the Kammerphilharmonie's director Gidon Kremer (he also plays violin) has commissioned several Schubert-based pieces like this one – not that anybody is likely to compose anything "like" Gubaidulina.

Actually her *Impromptu* is a mini-concerto (17 minutes) for Kremer's violin and Irena Grafenauer's flute. At regular intervals the flute pronounces Schubert's familiar downward-fluttering arpeggio, the motto of his piano-piece – in several variants, but never with its continuation: it remains a frozen, isolated object. Around and from it the violin pursues curious chromatic thoughts, while the string orchestra seethes gently between tonal harmonies and unmoored ones. All this is delicately measured and punctuated, quite formal but strangely suggestive; I want to hear it again.

The Emperor String Quartet – dicey label, but it *did* win the important Evian Competition in 1995 – commissioned John Woolrich's concise new quartet, and played it in the Wigmore Hall last week. It alternates two quirky "machine" movements with two elegiac ones, concluding with a brief, choked fifth. Quintessential Woolrich, if on a slighter scale than his imposing Oboe Concerto at last year's Proms: transparent, wryly sweet, with decorous airs, playing demurely between tonality and innocent, uncomplicated serialism. It is a gift to quartet-programmes, far too often hobbled to the meat-and-potatoes, three-solid-quartets formula.

The Emperor players were at their best in Mozart's immortal clarinet quintet, answering to Andrew Webster's notably beautiful, judicious playing in the solo role.

In Beethoven's F minor quartet they were forceful and ingenious, but they swallowed too many syllables in dotted-note passages, and left some important harmonic junctures under-emphasised. The tunes in Wolf's *Italian Serenade* were charmingly skittish, but they needed a robust, snappy rhythmic background; the Emperor rhythms were – well, *English*, too wan and invertebrate to do justice to Wolf's rollicking Mediterranean homage.

A year ago, I wrote *warmly here about Wolfgang* Holzmair's Schubert at the Wigmore: no side, much musicianship, a natural, disarming baritone full of *Affekt*. On Tuesday he sang 26 of Wolf's Goethe settings, assiduously illustrated by extravagant hand-gestures and soulful facial expres*sions, often held all the way* through Graham Johnson's indulgently protracted piano-postludes: *not* a good idea.

A singer can impersonate the young miller-lad of *Schubert's Schöne Müllerin* throughout the cycle, but Wolf's Goethe settings are too ripely sophisticated and ironical to be represented in one visible *persona*. It's the *words* that matter, because Wolf knew how to set them off with such deep musical cunning.

They were diminished here by Holzmair's "expressive" antics, which looked like the frantic efforts of a signer-for-the-deaf. Probably his recent acclaim in America, facing audiences who mostly know nothing of German *Lieder*, has driven him to those excesses; but he *should stop it at once*.

David Murray

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Beaux Arts Trio: perform works by Mozart, Brahms and Beethoven; 8.15pm; Jan 29

■ ATHENS

CONCERT
Athens Concert Hall Tel: 30-1-7282333
● Orchestre Revolutionnaire et Romantique: with conductor John Eliot Gardiner and the Monteverdi Choir perform works by Schubert and Schumann. Part of the Schubert cycle; 8.30pm; Jan 30, 31

■ BALTIMORE

EXHIBITION
Baltimore Museum of Art Tel: 1-410-396-6300
● Art of the Baga: A Drama of Cultural Reinvention: exhibition examining the artistic legacy of the peoples known as Baga, occupying a narrow stretch of lowland along the Atlantic coast of the Republic of Guinea, West Africa. On display are over 100 objects including masks, ceremonial sculpture and everyday household items; from Jan 29 to Apr 13

■ BERLIN

DANCE
Staatsoper Unter den Linden Tel: 49-30-20354438
● Le Concours: a choreography by Maurice Béjart to music by Le Bars performed by the Staatsopernballett; 7.30pm; Jan 30; Feb 1 (7pm)

EXHIBITION
Das Bauhaus-Archiv, Museum für Gestaltung Tel: 49-30-25400278
● *Otto Bartning* und die Bauhochschule Weimar 1926 - 1930: exhibition devoted to the *Bauhochschule* Weimar, the Weimar successor of the Bauhaus when this teaching institution for the arts moved to Dessau. The Bauhochschule was led by architect Otto Bartning. Other teachers included Ernst Neufert, Erich Dieckmann, Otto Lindig, Wilhelm Wagenfeld, Ewald Dülberg, Hedwig Heckemann and Cornelius van Eesteren; to Feb 23

OPERA
Staatsoper Unter den Linden Tel: 49-30-20354438
● Zar und Zimmermann: by Lortzing. Conducted by Asher Fisch, performed by the Staatsoper Unter den Linden. Soloists include Jake Gardner and Pär Lindskog; 7pm; Jan 29

■ DUBLIN

CONCERT
National Concert Hall Tel: 353-1-6711888
● Michael Collins and Friends: perform works by Rossini and Mozart. Part of the bicentenary of the birth of Schubert celebration; 8pm; Feb 1

■ HAMBURG

EXHIBITION
Museum für Kunst und Gewerbe Tel: 49-40-24862732
● *Lissabon - Hamburg.* Fayenceimport für den Norden: exhibition featuring utensils produced in Lisbon workshops in the period 1620-1680 and exported to Hamburg; to Feb 7

OPERA
Hamburgische Staatsoper Tel: 49-40-351721
● Das Mädchen mit den Schwefelhölzern: by Lachenmann. Conducted by Lothar Zagrosek, performed by the Hamburg Oper. Soloists include Sarah Leonard, Melanie Walz and Anna Karger; 7.30pm; Jan 29, 30, 31; Feb 1, 2

■ LONDON

CONCERT
St Martin-in-the-Fields Church Tel: 44-171-9300089
● Natasa Liposevek and Nora Farkas: the pianist and the violinist perform works by Mozart and Beethoven; 1.05pm; Jan 31

THEATRE
Barbican Theatre Tel: 44-171-6384141
● Troilus and Cressida: by Shakespeare. Directed by Ian Judge, performed by the Royal *Shakespeare Company. The cast* includes Joseph Fiennes, Victoria Hamilton and Katia Caballero; 7pm; Jan 31
Lyttelton Theatre Tel: 44-171-9210631
● The Homecoming: by Pinter. *Directed by Roger Michell. The* cast includes David Bradley, Sam Kelly and Michael Sheen; 7.30pm; *Jan 30, 31; Feb 1 (also 2.15pm)*

■ LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● Ancient Art from the Shumei Family Collection: this exhibition features over 290 works of art from a broad geographical area, including China, Afghanistan, Iran, Egypt and Greece. Highlights from the collection include an inlaid silver image of the Egyptian god Horus, a gold vessel adorned with heads of bulls from the Marlik region of Iran, a gilt-bronze and jade Chinese pendant from the 3rd-2nd century BC, a selection of 12th-13th century Persian ceramics and a rare late 16th century Islamic carpet; to Feb 9

■ NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● The Cleveland Orchestra: with *conductor Christoph von* Dohnányi and baritone Olaf Bär perform works by Schubert and Mahler; 8pm; Jan 30

EXHIBITION
***International Center of* Photography** Tel: 1-212-860-1777
● Roadworks: Photographs by Linda McCartney: fleeting landscapes, anonymous pedestrians, garish billboards and *backstage tedium are among the* views from Linda McCartney's road trips between the late 1960s *into the 1990s; to Feb 9*

JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● Milt Jackson Quartet & James Moody Quartet: performance by the vibraphonist who's worked with Dizzy Gillespie, Charlie Parker, Thelonius Monk and the Modern Jazz Quartet; 9pm & 11.30pm; Jan 29, 30, 31; Feb 1, 2

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Metropolitan Opera: by Mascagni/Leoncavallo. Conducted by Simone Young, performed by the Metropolitan Opera. Soloists include Barbara Dever, Kristján Jóhannsson and Elizabeth Holloque; 8pm; Jan 29; Feb 1

■ PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Rosamonde Quartet: perform works by Beethoven, Bartók and Debussy; 8.30pm; Jan 29

DANCE
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● The Sleeping Beauty: conducted by Simone Young, *perform Cavalleria Rusticana* by Mascagni and Pagliacci by Leoncavallo. Soloists include Barbara Dever, Kristján Jóhannsson and Elizabeth Holloque; 2.30pm & 8pm; Feb 1

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-6000
● San Francisco Symphony: with conductor Hugh Wolff and violinist Boris Belkin perform works by Debussy/Kernis, Schubert and R. Strauss; 8pm; Jan 29, 30, 31

■ THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
● Exhibition of the Velimezi Collection: exhibition of Byzantine icons from the 15th, 16th, 17th and 18th centuries, on display for the first time after restoration in the workshops of the Benaki Museum. The exhibition is at the Museum of Byzantine Culture; from Jan 29 to Apr 15

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Financial Times Business Tonight

Martin Wolf

Mind the pensions gap

Contribution rates must be raised soon if the pay-as-you-go schemes of most leading industrialised countries are to be put on a sustainable footing

Residents of high-income countries can watch events in Albania with detachment. In their countries, pyramid finance is illegal. But their politicians are able to operate such pyramids. They call them pay-as-you-go pensions schemes. Pyramid pensions can work, partly because everybody can be forced to join. But their designers have occasionally been neither far-sighted nor scrupulous.

Just how is revealed in a paper published at the end of last year by the International Monetary Fund*. Six conclusions emerge.

- The generosity of public pensions varies hugely.
- The cost of public pensions is not a function of demography but of their generosity.
- The pension systems of the US, Japan, the UK and Canada are sustainable with modest fiscal effort.
- The systems of France, Italy and Germany are shakier because their high contributions have adverse effects on employment.
- The ratio of dependants to workers is not explained by demography alone but also by people's behaviour.
- The costs of public pensions cannot be assessed independently of those of the social security system.

Start with the ratio of net pension liabilities – the net present value of the difference between the projected pension spending and revenues between 1995 and 2050 – to gross domestic product. In 1995, according to the IMF, this was 5 per cent for the UK, 26 per cent for the US, 68 per cent for Canada, 76 per cent for Italy, 107 per cent for Japan, 111 per cent for Germany and 114 per cent for France.

Suppose governments had aimed at stabilising the 1995 public debt ratio *and* prevented a build-up of pension debt. They would have had to tighten fiscal policy by 0.4 per cent of GDP in the UK, 1.3 per cent in Italy, 1.5 per cent in the US, 2.1 per cent in Germany, 3.8 per cent in Japan, 4.3 per cent in France and 4.5 per cent in Canada.

Of the Group of Seven leading industrial countries, continental Europe, Japan and Canada seem to be in greatest difficulty. But this conclusion is misleading. It is not just a question of the *change* in the contribution rate that needs to be made, but of where that leaves the *level* of contributions.

Because of differences in generosity, the sustainable contribution rate – the rate that would leave the net asset position of the public pension system unchanged between 1995 and 2050 – would be 18.5 per cent of 1995 GDP in Italy, 15.4 per cent in France and 13.7 per cent in Germany. Elsewhere, it would be much lower. There is no evident reason why the UK, the US, Canada and even Japan should be unable to sustain needed contribution rates.

Continental European countries are in a different position because of the impact of high contribution rates on the cost of labour and returns to work. In the case of Italy, for example, contributions were 43 per cent of the wage bill in 1995, against a mere 6.2 per cent in the UK, partly because there were proportionately far fewer contributors in Italy and partly because its system was more generous. By 2050, argues the IMF, the contributions required to maintain the financial balance of the Italian system will be 68 per cent of the wage bill.

Continental labour markets are caught in a vicious circle. When taxes on employment are high and social security benefits and provision for early retirement generous, only productive prime-age workers work. The young and the old choose state-cushioned idleness instead.

For this reason, demography gives a misleading picture of the ratio of dependents to potential workers. In Italy, for example, the proportion of people between 55 and 64 not at work in 1995 was 73 per cent while it was 74 per cent of those aged between 15 and 24. Partly as a result, the ratio of Italian contributors to beneficiaries in the public pension scheme was 1.3 in 1995, against 2.7 in the UK and 4.2 in the US.

In the UK, by contrast, the proportion out of work was 52 per cent for those over 55, and 46 per cent for those aged under 25. In the US, it was 45 per cent for the older group and 42 per cent for the younger one.

A distinction can be drawn, therefore, between relatively cheap public pension systems, with low contribution and high employment rates, and relatively generous ones, with high contributions and low rates of employment. But the contrast can be overdrawn. If public pensions are very low in relation to average incomes, other social security benefits rise to fill the gap for those who have failed to make adequate provision privately.

Thus, the IMF's forecast decline in the UK's ratio of the average state pension to gross wages – the replacement ratio – from an already low 18 per cent in 1995 to 11 per cent by 2050 does not mean the government will be able to wash its hands of the elderly poor. Where public pensions are generous, however, topping up will not be needed.

In Japan, the replacement ratio is expected to remain around 20 per cent, in the US between 35 and 40 per cent, in Germany around 50 per cent, in Italy above 50 per cent; and in France 60 per cent. Many continentals are better off in retirement than at work.

What should be done?

First, current contribution rates are below the sustainable level in every G7 country except the UK. It is important to close this gap if countries are to avoid explosive long-term increases in ratios of public debt to GDP.

Second, if the result is a short-term build-up of assets in social security funds, these must be separated from the rest of the budget. The aim of raising contribution rates to sustainable levels is to avoid high public debt ratios in future. The exercise would be fruitless if social security surpluses encouraged governments to expand deficits on other activities.

Third, shifting to an economy-wide defined contribution system – one in which benefits depend on *returns to individual savings* – is problematic. One difficulty is uncertainty about the resulting pensions. Another is that either the transition generation is asked to pay twice – both for its own pensions and for those of its parents – or the government ends up with a still larger public debt.

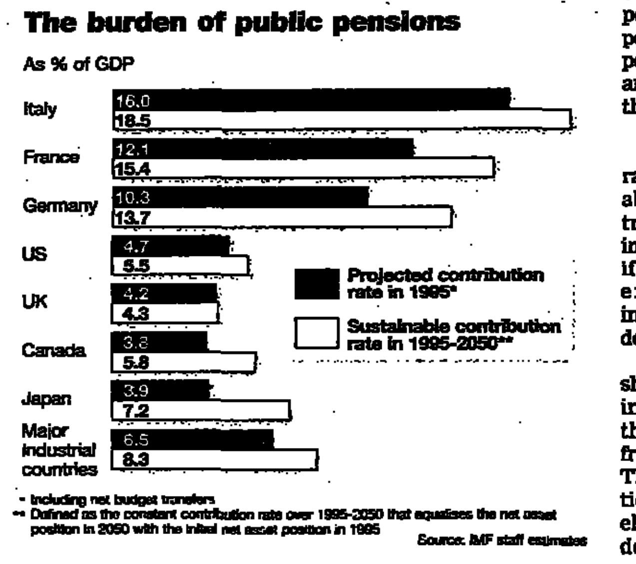
Finally, the most attractive option is adjustment of the public pension system itself. Links between pensions and increases in wages can be changed; high benefits can be lowered; and retirement ages can be raised, provided the incentives for early retirement are also reduced.

In continental Europe, benefits are so generous that such adjustments must be more sensible than imposing higher taxes on jobs. In other countries, higher contribution rates could well be enough.

In sum, high-income countries confront no general pension crisis. But continental Europe does face a serious challenge. Its best course would be to reduce the excessive generosity of existing systems rather than scrap them or raise contribution rates. The danger is that, as prospective benefits decline, the pension bargain will look decreasingly attractive to younger workers. These countries do not need an intergenerational fiscal war. Given present tax and benefit levels, it may be impossible to avoid.

** Sheetal K. Chand and Albert Jaeger, Ageing Populations and Public Pension Schemes, Occasional Paper 147 (Washington D.C.: International Monetary Fund, December 1996).*

The burden of public pensions



* Including net budget transfers
** Defined as the constant contribution rate over 1995-2050 that equalises the net asset position in 2050 with the initial net asset position in 1995
Source: IMF staff estimates

Pyramid power

John Plender on the attraction of fraudulent investment schemes in eastern Europe

Since the fall of the Berlin Wall, the peoples of eastern Europe and the former Soviet Union have suffered a virulent plague of pyramid financing. If the violent demonstrations in Albania, scene of the latest outbreak, are exceptional, it is chiefly because of the relative scale of the losses and the potential political fall-out.

Estimates of the sums attracted to the Albanian pyramid funds are as high as $1bn, equivalent to 30 per cent of Albania's dismally small gross domestic product. Could the administration of President Sali Berisha be the first modern government to be toppled by a popular outcry against pyramid financing?

Fraudulent pyramid funds differ from conventional banks in that they offer a promise of excessive returns on depositors' money that can only be fulfilled as long as more money is coming in. The schemes usually collapse when the inflow dries up, in which case payments are suspended, or when depositors scent trouble and a run develops.

Like stockmarket bubbles, fraudulent pyramid schemes are most common in developing economies. They are, as much as anything, a symptom of an underdeveloped retail banking system. The question is why countries of the former Soviet bloc should be so much more prone to the problem than others – especially when the funds in question have looked so obviously phoney.

MMM, the failed Russian fund run by Mr Sergei Mavrodi, did not pretend to have any underlying business. The price of the so-called shares was arbitrarily set by Mr Mavrodi, who claimed to have more than 10m "shareholders" before nemesis overtook him in 1994.

As for Caritas, the collapsed Transylvanian fund that attracted about $1bn from 4m Romanians, its promise of a sevenfold increase in the value of the savers' deposits within 100 days looked, at least by western European standards, manifestly absurd.

The vulnerability of many of the transition economies of the former Soviet bloc is due to a potent combination of high inflation, declining real incomes and ignorance.

When the Caritas fund stopped paying out in the autumn of 1993, for example, real incomes had fallen by a third over the previous three years, and annual inflation was close to 300 per cent.

The difficulty of finding a stable outlet for savings provides another spur to imprudent behaviour.

In Russia, many pensioners who were unlucky enough to have left their lifetime nest-egg in the hands of state savings institutions have seen them wiped out. Few trust the banks and there is a widespread fear that a bank account will attract the attention of the tax man or the mafia. Sound foreign banks are excluded in Russia and elsewhere by protectionist legislation.

Before the collapse of MMM, Mr Mavrodi offered a seemingly attractive alternative to keeping dollar bills under the bed. Such are the attractions of the dollar, relative to any rouble-based obligation, that the dollars in circulation in Russia are reckoned by some to match the country's rouble money supply. The amounts under the mattress are now estimated at about $20bn.

But why, it might be asked, do the politicians allow these fraudulent funds to burgeon? Partly because they themselves benefit in the early stages. The mayor of Cluj, home of Caritas, publicly supported the fund and its founder Mr Ion Stoica for understandable, if short-termist, reasons: the cash inflow turned Cluj into a boom town.

Partly it is a case of not being prepared. Before its collapse, MMM was by far the biggest advertiser on Russian television. But until a share-pusher collapses in a post-communist society, regulation against aggressive share-pushing is unlikely to be in place.

In Russia, there was a reluctance to engage in heavy-handed regulation when the pressing need appeared to be to encourage entrepreneurial activity. There was also an enforcement problem. MMM had broken the law, but was not brought to book until the trouble began.

Not all of those who risked their savings were doing so on the basis of ignorance. Some recognised that being in and out early was a formula for high returns. That said, people like Mr Mavrodi clearly cast a spell. When he was jailed on charges of tax evasion, some of his shareholders were prepared to go on hunger strike for him.

A spell was also cast when he discovered he could win immunity from jail if he became an election candidate. By promising to spend $10m on his constituency, he won a seat in Russia's duma (lower house) without ever putting in an appearance there or setting out a political programme.

His story speaks volumes about the easy-money atmosphere and heightened expectations in modern Russia, where the greenback has replaced the party card as the passport to power and influence.

The tragic consequence of pyramid fraud is that millions have been deprived of their savings. And the consequent distrust of financial instruments and institutions is an immense obstacle to continuing economic reform.

> Few trust the banks and there is widespread fear that a bank account will attract the attention of the tax man or the mafia

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Korea realistic in changing labour laws

From Professor Jeffrey D. Sachs.

Sir, Contrary to your leader "Korea on trial" (January 22) criticising South Korea's new labour laws, I would suggest that there is something unseemly in the OECD apparently trying to dictate the specifics of labour legislation to South Korea. To be sure, the Korean government has botched up the process of labour law change. It could have done better. At the same time, however, the specific pressures that seem to be emanating from the OECD have been at best unhelpful and most likely quite misguided.

Many of the OECD countries, especially in Europe, have made a mess of their own labour practices. After all, it is OECD-Europe, not South Korea, that boasts unemployment rates consistently above 10 per cent of the labour force, while South Korea has managed to keep unemployment rates below 3 per cent. It is Europe – through excessive minimum wage standards, overly-protective job security, coddled national trade unions such as IG Metall in Germany, and bloated social charges – that has priced its labour out of the international markets.

The Korean government's much-vilified action of strengthening management flexibility to dismiss workers when economic conditions merit is a realistic response to the global economy that Europe would be wise to pursue as well. Moreover, the several-year delay in introducing multiple unionism in Korea seems plausible given the risks involved.

The international community has all the right to insist on good international practices from other countries, especially open trade. It has the right to insist on core human rights. But there is little wisdom in insisting that other countries should emulate failed policies in labour relations that are neither justified in theory nor merited on the basis of Europe's own experience.

Jeffrey D. Sachs,
director,
Harvard Institute for International Development,
1 Eliot Street,
Cambridge,
Massachusetts 02138, US

Subsidy cutback in rural UK's interest

From Mr Richard Butt.

Sir, The kite-flying by Franz Fischler, the European Union Commissioner for Agriculture, in favour of further reductions in production-related agriculture subsidies and the creation of an integrated rural development policy ("Seeds of discontent", January 24) deserves support.

Such a policy shift is very much in the UK's interest. Much of British agriculture is capable of competing in world markets without the current level of subsidies; lower food prices would improve the competitiveness of businesses in other sectors of the economy; and diversification of the rural economy has progressed further in the UK than in most of the rest of Europe.

Mr Fischler's vision makes sense for other member states too. International pressure for further liberalisation of agricultural trade and internal constraints on Common Agricultural Policy expenditure seem sure to accelerate the pace of change in European farming. The best favour European governments can do their rural communities is to encourage the creation of new types of employment in the countryside.

This is best promoted by facilitating market adjustment – for example, by improving infrastructure and training and reducing barriers to the growth of small businesses. But there is a role, too, for a properly integrated EU rural development policy in place of the present hotchpotch of programmes.

The cost of such a policy should be significantly less than the potential savings on agricultural subsidies. Rural development policies can be very cost effective.

This commission recently completed some experimental programmes aimed at diversifying the economies of three English areas which are heavily dependent on agriculture.

Some £5m of commission expenditure over three years created substantial benefits, including an estimated 770 continuing jobs, more than 500 full-time and 6,000 part-time training places, 300 childcare places and 13 community facilities.

The UK is well placed to take a leading role in the debate about the future rural policy in the European Union which Mr Fischler is trying to initiate.

Richard Butt,
chief executive,
The Rural Development Commission,
Dacre House,
19 Dacre Street,
London SW1H 0DH, UK

Undefeated

From Mr Allan Wendt.

Sir, Your correspondent in Hanoi needs to brush up on the history of the Vietnam war. In referring to the wartime Ho Chi Minh trail ("Vietnam plans a Ho Chi Minh highway", January 23), he writes: "The route ... was a critical factor in the defeat of US forces in 1975."

It is a widespread myth that US armed forces were "defeated" in Vietnam. Unilateral withdrawal of these forces began in 1968 and was completed in 1973 following a ceasefire agreement and the refusal of the US Congress to continue funding the war. The helicopters lifting off the roof of the American embassy in 1975 were evacuating civilians, not "US forces".

Allan Wendt,
3234 Volta Pl NW,
Washington, DC 20007-2731, US

New royal yacht ideal case for Private Finance Initiative

From Ms Janet Salmon.

Sir, I object to the proposed expenditure of £60m of public money on a new royal yacht. If part of the justification is that it is important to business, surely this makes it an ideal case for the Private Finance Initiative. I have, however, noticed that German, French and Korean business people manage without a floating palace.

It is particularly difficult to justify at a time when:

- Schools are having to cut back on teachers to save money.
- Waiting lists for operations are increasing due to lack of nurses and beds.
- Mental health services in London alone require a further £59m a year.
- London Underground's grant has been cut by 28 per cent over the next three years, which has a significant impact on the capital's business growth, and safety implications.
- The Housing Corporation's funds have been drastically reduced.

If the government is determined to go ahead, then it could be on the same basis as the rebuilding of Windsor Castle, where the Queen contributes some of the funding though opening Buckingham Palace to tourists.

This is the wrong project, at the wrong time, and I do not think it has support from the people.

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FINANCIAL TIMES
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Tuesday January 28 1997

Russia's ailing tsar

Mr Boris Yeltsin is clearly a very sick man. He managed to reappear briefly in the Kremlin after his heart operation last year, but within weeks he was laid low by pneumonia. He has not been seen in public, even on television, since January 6.

Does it matter? If Russia were a country with a well-tried constitution, established rule of law, and a healthy balance between its institutions, it might not. But the constitution which Mr Yeltsin himself designed has left vast powers concentrated in the hands of the head of state. He has no vice-president, he can rule the country by decree, and he can dissolve parliament and his government at will. It discourages any sort of risk-taking outside the Kremlin walls.

Already the country is drifting. There is a sense of paralysis in the government, and despair in the population at the corruption and abuse of power in the coterie of new capitalists surrounding the sick president. If Mr Yeltsin remains out of action for weeks, if not months, vital decisions will not be taken.

Most important are the negotiations on future relations between Russia and an enlarged Nato: only the president can finalise the terms. The republic of Chechnya had elections yesterday, likely to result in a declaration of independence: a Russian backlash must be contained. On the economic front, the government still appears incapable of collecting its taxes, and vital reforms – as in the telecoms sector – are on hold. Presidential authority is needed.

Mr Yeltsin's associates are desperate to cling to power and the profits it brings, fearful that any new election – which must be held within three months of a presidential resignation – would give victory to Mr Alexander Lebed, the mercurial ex-general. They would not survive such a change, and would clearly prefer to maintain the myth of presidential authority as long as possible. Moreover, disturbing rumours are now circulating in Moscow of plans to change the constitution and delay any new poll, if Mr Yeltsin is forced to quit.

Some in the west might be tempted to go along with such plans, for fear of what a Lebed or an ex-communist alternative might mean. They want a stable post-Yeltsin transition. But the reality is that the transition has already begun. The danger is that a prolonged period of drift under an incapacitated president will leave all those associated with the Kremlin, and with its positive reforms, as well as its cronyism and corruption, totally discredited. Then the transition might indeed be chaotic and disruptive, both to the nascent market economy and to Russia's delicate international relations.

If Mr Yeltsin can return to full fitness, it would be splendid. But that looks ever less likely. Rather, it is already beginning to look depressingly like the last years of Leonid Brezhnev, when he was kept in power in a semi-comatose state. The resulting era of corrupt stagnation ensured the final collapse of communism.

The chances of the Russian president being forced out of office are slim: it requires the approval of both houses of parliament, and the constitutional court. He must have the courage himself to quit when he knows he cannot govern again.

Royal yacht

There has been much tut-tutting over the way the UK government announced last week its plan to spend £60m of taxpayers' money on a new royal yacht. It is entirely misplaced. Mr Michael Portillo, the defence secretary, was entitled to seek to make political capital out of the decision. He must accept the consequences, however, if it blows up in his face.

By promising to spend the money, the Tories hoped to cash in on the popularity of the Queen, maritime sentimentality attached to the yacht, and a vague belief that the vessel was good for British exporters. They also, doubtless, hoped to put their opponents on the spot: either Labour would say no, and appear tight-fisted, or it would say yes, and threaten its painfully acquired image of born-again fiscal rectitude.

Initially, this approach succeeded; Labour seemed to be saying both at once, or neither. Now, however, the Labour leadership has settled on a coherent line, no doubt helped by the palpable lack of public enthusiasm for the yacht. It is a nice thing to have, Labour now says, but it cannot and will not be financed by public money, at least in the first two years of a Labour government.

This gap between the two parties is a net gain to public discussion of spending priorities. It also raises another legitimate subject of debate: the scale of the monarchy in a post-imperial era. Sadly, Britain is not yet a mature and confident enough society to contemplate such a discussion. Instead, royal sycophants and sidekicks murmur that this is all deeply distasteful. Embarrassing to the Queen, shoddy piece of electioneering, can't expect that chap Portillo to understand Britain, can't trust Labour to understand the royal family. And so on.

This is nonsense. By promising, on the eve of an election campaign, to spend money on the yacht, the Conservatives have made an entirely legitimate statement about themselves, their priorities, and their view of the relationship between the monarchy and the taxpayer. They had no obligation to consult Labour on this.

By acting as they did, and opening up the subject for debate, they have done the nation a service. If that debate turns out not quite as they had hoped, so much the worse for Mr Portillo. But so much the better, perhaps, for Britain's progress towards becoming a nation at ease with itself.

Big is best

After five years at the helm of Volvo, the Swedish vehicle maker, Mr Sören Gyll yesterday decided that enough was enough. He is stepping down in favour of a younger man, saying, in effect, that it could take years for the company to implement a coherent survival plan.

His decision shows how difficult it is for a medium-sized manufacturer to prosper in an industry increasingly dominated by giants. It also highlights the pressures European motor companies face making profits in the face of chronic overcapacity. If such a well-regarded group as Volvo is struggling to make decent profits, the industry's difficulties are indeed serious. The only option may be the one European companies have done their best to avoid – a big merger.

Mr Gyll deserves credit for rebuilding Volvo's morale following the 1993 failure of the merger with Renault. But his successor, 45-year-old Mr Leif Johansson, should think hard before he invests Volvo's surplus cash in trucks and cars.

In trucks, where Volvo is the world's second biggest producer, the group's future would seem secure. The industry is more fragmented than carmaking, so the lack of a large home market has not been an obstacle. However, in passenger cars, Volvo is vulnerable. The group carries the increasing cost of model development on a much smaller base than most competitors. It produces less than 350,000 units a year compared with more than 640,000 at Mercedes-Benz, the next smallest producer.

The failure of the Renault merger should not prevent Volvo considering other possible deals. Moreover, even bigger mergers will be required to put European carmaking as a whole on an even keel. Capacity stands at 2.5m cars in excess of annual demand of about 12.8m. The gap has grown in the 1990s with expansion of the UK's Japanese-owned factories. With South Korean producers setting up in eastern Europe, life will become even tougher.

The acquisitions of Jaguar by Ford Motor and Rover by BMW are too small to solve the problem. The industry needs deals on the scale of the Peugeot-Citroën merger or of the possible links Fiat has discussed with Ford and Chrysler. Such deals would be so big that they would inevitably involve governments. But it is for the companies themselves to take the initiative and set the terms.

From left to right Carlo Azeglio Ciampi, Fausto Bertinotti, Guido Rossi, Karel Van Miert and Romano Prodi

Montage by Chris Walker

Crossed lines untangled

After months of delay Italy's government has taken decisive action to clear the way for telecoms privatisation, writes Robert Graham

Since the election of the Olive Tree alliance last May, there has been much talk of privatisation – a central plank of the coalition's political programme. So far, however, there has been little action.

The symbol of this inaction has been Stet, the state-controlled telecoms group. The ruling centre-left coalition, headed by Mr Romano Prodi, is the sixth successive government since 1992 to have pledged to sell-off Stet in "the mother of all privatisations".

But progress has been blocked by officials inside the state apparatus and a powerful cross-party lobby that has no desire to see Stet moving out of the public sector. Similar considerations have delayed other big privatisations such as Enel, the state electricity company, the banks (still largely under public control) and the motorways (Autostrade).

But now things appear to be moving. On Friday, Mr Carlo Azeglio Ciampi, the treasury minister, summarily dismissed the group's top management and announced that Telecom Italia, the main telephone operating company, was to be merged with Stet.

The moves were a signal of the government's determination to respect its latest autumn deadline for the privatisation.

"The government has a clear commitment to press ahead with the privatisation of Stet, which is exactly what we are doing," the treasury minister said over the weekend to sceptics.

Although the moves have been under consideration since before Christmas, two recent events appear to have forced action.

Last week, the government was embarrassed by criticism over the slow pace of telecoms liberalisation by Mr Karel Van Miert, the EU competition commissioner. Mr Van Miert catalogued Stet's failure to implement several key aspects of competition policy such as easing the path for a second mobile telephone operator.

"Who runs Italy – the government or Stet?" he said at a Brussels press conference – comments that were given banner headlines in Italy's press.

The European Union had been promised the privatisation of Stet by the end of 1996 to honour a 1993 agreement with with Mr Van Miert, which obliged Italy to reduce the debt of Iri, the state holding company.

Last autumn Mr Van Miert agreed to postpone the deadline until June. At the same time, the treasury took over Iri's 62 per cent stake in Stet to speed up the privatisation process – a takeover that made it possible for Mr Ciampi summarily to remove the Stet management last Friday.

This new decisiveness contrasted with the Prodi government's failure to change the board at Stet when it came up for reappointment last June – seen as an early sign of weakness in a government which had just taken office promising privatisation as a key element of policy.

The second catalyst for Friday's changes was the government's defeat in parliament this month on a bill on the details of the privatisation of Stet. The defeat was largely due to poor parliamentary organisation and the practical effect was to delay legislation which could be easily reframed.

The government presented the defeat as little more than an unfortunate slip on a banana skin. But the incident highlighted the fragility of the government's parliamentary majority which depends on the votes of 35 deputies from Reconstructed Communism, the party formed from the Marxist rump of the defunct Communist party.

Mr Fausto Bertinotti, the publicity-conscious and astute leader of the Reconstructed Communists, has consistently refused to endorse the centre-left "Olive Tree" coalition's programme of government. Instead, he is willing to offer only a case-by-case endorsement of policy to increase his bargaining power.

It was the abstention of the Reconstructed Communism votes on the Stet bill that defeated the government. Mr Bertinotti appears to harbour no intent to bring down Italy's first post-war government in which the left is fully represented. But he is viscerally anti-privatisation and wants the state to retain a controlling stake in telecoms, which he calls a "strategic sector".

"We will fight to ensure that a majority of the shares in Stet remain in public hands," he reminded the government over the weekend.

Reconstructed Communism is not the only opponent of Stet privatisation. The former Christian Democrats in the Popular Party (PPI) which backs the government, have no wish to see the role of Stet changed. Equally the National Alliance, the rightist opposition party, is opposed to privatisation.

One reason for this desire to preserve the status quo at Stet is that MMP, an advertising subsidiary, collects advertising revenue for all the party political newspapers. Last year it recorded losses of L155bn ($97.7m) assumed to be related to unproductive politically motivated operations.

This cross-party alliance against privatisation has been most evident in the blocking tactics behind the introduction of legislation to establish a telecoms and broadcasting regulator. Such a body is regarded as an essential prior step both to privatisation and to the liberalisation of the sector due in 1998.

However, there is no clear timetable for this legislation. Some moderate members of the right-wing opposition have indicated they would help the government to win a majority on the issue, if Reconstructed Communism were to abstain.

But Mr Prodi is reluctant to adopt the tactics of constructing a "variable geometry" majority, since it would upset his position as head of the "Olive Tree" coalition. With no political base of his own, Mr Prodi needs Mr Bertinotti and his Reconstructed Communists to counterbalance Mr Massimo D'Alema, leader of the Party of the Democratic Left. This social democratic wing of the former Communist party is the dominant partner in the coalition.

The Stet issue will determine whether or not he can maintain this balancing act. And with such a complex balance of forces, it will not be easy to stick to the existing privatisation timetable.

But if further delays occur, this will damage Italy's credibility in the bigger endeavour of proving it can meet the convergence criteria to join a single European currency.

Telecoms troubleshooter

Mr Guido Rossi had little to cheer about on Sunday. Fresh from having landed in the hottest seat in Italian industry, the 66-year-old law professor went to watch a soccer match with thousands of other football-mad Italians.

There had been high expectations that his team, Inter Milan, would win easily but the club managed only an unimpressive draw.

Since his sudden appointment to head Stet, the government has equally high expectations about Mr Rossi's ability to prepare the state-controlled telecommunications group for privatisation later this year.

Mr Rossi, a former chairman of Consob, the Italian stockmarket watchdog, comes with impressive credentials. Four years ago, he was called in to put Ferruzzi-Montedison, the Italian chemicals and agribusiness group, back on its feet.

Now he must complete the merger of Stet with Telecom Italia, Italy's fixed-line telephone monopoly, which is its main operating subsidiary. The state owns 61 per cent of Stet, which in turn owns 64 per cent of the operating company's voting shares. The merger must be completed by the end of July if the group is to be floated in November as the government intends.

The merged group will have annual consolidated sales of about L40,000bn ($25.2bn), consolidated net earnings of around L3,000bn and a stockmarket capitalisation of about L55,000bn. Stet also has stakes in other quoted and non-quoted telecoms companies, including Telecom Italia Mobile, the cellular phone company, Italtel, the equipment maker, Sirti, the engineering group, and Finsiel, the software subsidiary.

There are several political obstacles that could delay the process. Before Stet can be privatised, parliament must pass a law setting up a telecommunications and broadcasting regulatory authority. This has been the subject of intense filibustering by privatisation opponents and rival media interests.

Just as troublesome is the fact that the Stet-Telecom Italia merger will reduce the state's stake in both companies from a controlling one to a minority holding of 45 per cent. To avoid any other company dominating the privatised group, the government is considering placing a ceiling of 3 per cent or less on individual shareholdings – as it did when Banca Commerciale Italiana and Credito Italiano were privatised.

But the hard-line Reconstructed Communism party, on which the Prodi administration relies in parliament, insists that the state should retain a 51 per cent stake in the group as well as a golden share. That is likely to lead to political confrontation, especially since Mr Rossi has always been an outspoken critic of golden shares.

Mr Fausto Bertinotti, the Communists' leader, has already attacked Mr Rossi's appointment as Stet's new chairman because, he claims, he is too close to Mediobanca, Italy's secretive and highly influential bank. Mr Bertinotti suspects Mediobanca, which is the global co-ordinator for the Stet privatisation, will create a core of friendly shareholders to dominate the group after privatisation.

At the same time as wrestling with these political problems, Mr Rossi's other task is to improve the structure and efficiency of the group to compete in a deregulated global telecoms market. Mr Ciampi, the Treasury minister, said at the weekend that the group needed to forge international alliances with strong international partners.

For Mr Rossi, the big match has only just begun.

Paul Betts

· OBSERVER ·

Now rather more united

■ There's a brighter new mood at the United Nations in New York, which many close observers are linking to the arrival of Kofi Annan, who took over as secretary-general almost four weeks ago.

Morale among the staff – which had reached an almost all-time low in the final days of Boutros Boutros Ghali, perceived by many as an aloof, uncaring boss – has rebounded under Annan, despite the fact that member states are making incessant demands for yet more downsizing.

Delegates are virtually unanimous in their approval of the new man, whose easy manner, natural charm and accessibility is, so far at least, winning hearts and minds.

There is an evident sense of pride, too, among black officials in the delegations and the secretariats that, for the first time, the UN has an African from south of the Sahara in charge. Also, he's the first to have come up through the ranks.

But these positive developments aside, the UN is still teetering on the edge of bankruptcy, with member states' arrears exceeding $3.1bn. Annan will have to carry out sweeping institutional reforms if he is to persuade the US to pay its own outstanding bill, which currently stands at more than $1bn.

Today should see him announce his management team; its task essentially will be to restructure an organisation widely regarded as inefficient.

There may be some surprises but two hard-nosed executives from the private sector, who were engaged by Boutros Ghali in his failed effort to meet US demands for reform, seem certain to carry on: Joseph Connor, the American former chief executive of Price Waterhouse, and Maurice Strong, a Canadian multi-millionaire with broad experience in the energy industry.

Wooden-tops

■ Alberti and Brunelleschi didn't face this kind of nonsense from their patrons in the 15th century. From Rome there emerges the kind of bureaucratic horror story that perhaps only a Machiavelli could fully comprehend.

Renzo Piano, the famous Genoese architect who numbers Kansai airport at Osaka among his buildings, had presumed that all was going well for the building of his 2,700 seat, L213.2bn concert hall near the 1960s Olympic Village in north-west Rome.

His acoustically-superior plan won against stiff international competition in July 1994, and musical Rome rejoiced, having waited for more than 40 years to get a decent-sized hall for their resident orchestra, the Santa Cecilia.

There have already been some delays in the construction, the most serious to date being thanks to the discovery of a magnificent Roman villa. This problem was circumvented, literally, by incorporating the archaeological site into the complex.

The latest difficulty – in the form of the technical staff of the Public Works ministry – may well prove more tricky to crack. This ministry has once before sent Piano to the drawing board, in December 1995, to make corrections to the foundations. The new objection raised by the ministry has caused a furore.

Piano has been instructed that he may not use wood to roof his three scarab-shaped concert halls. The reason is simple: according to the ministry, wood is not one of the materials listed as suitable for public buildings.

Find that phrase

■ A new Chechen-English pocket dictionary has landed on Observer's desk, stuffed full of useful phrases – though not, as far as we can tell "I surrender" – and irrepressibly optimistic.

In the section titled "what's to see", for example, the authors comment that "despite 200 years of pollution, destruction and invasion the Chechens still have good reason to be proud of their land."

A chilling, if invaluable book. In the "politics" section "concentration camp" sits cheek by jowl with "constitution", and "minority" with "murder".

So, a bottle of malt whisky to the first postcard/fax (to the usual address, fax number is 00 44 171 873 3926, closing date 14 February) with the correct, or closest so, English translation of the following vital expression: "Quzah' ts'h'aa guuranash yui?"

Temporary job

■ You've got to hand it to the prestigious Institute of Enterprise in France – it certainly knows how to pick some of the best qualified French business leaders to make a series of presentations at its annual general meeting.

And there cannot be a better selection than that of Jean-Jacques Bonnaud, the former chairman of state insurance group GAN, who was brutally sacked by the government late last year. His subject: "Making good use of part-time working".

The Financial Times

100 years ago

Banking Reforms In America
Washington, 27th Jan. The National Board of Trade has adopted a scheme of banking law on the following lines:- Gold coin to remain the Standard; the retirement of United States notes in such a way as not to disturb business; the national banks to be allowed to issue currency, equal to the par value of bonds, and the tax on circulation to be reduced; the banks to be allowed to issue currency based on their assets under national supervision; the establishment of banks of issue in towns and villages of not less than 3,000 inhabitants.

50 years ago

Trade With Japan
In the House of Commons yesterday Brigadier Fitzroy Maclean (Conservative, Lancaster) asked the Foreign Secretary whether, in view of the need for restoring British foreign trade, he would take immediate steps to secure the readmission of British businessmen to Japan. He asked whether it was not a fact that representatives of American insurance agencies and motor manufacturers were already in Japan.

FINANCIAL TIMES
Tuesday January 28 1997

Japanese banks' credit ratings downgraded

By Gwen Robinson in Tokyo

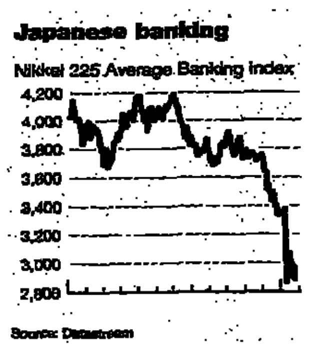
Credit ratings of four medium-sized Japanese banks were downgraded yesterday from "stable" to "negative" by Moody's, the international credit rating agency, sending Japanese bank shares tumbling again.

Although the downgrades were expected, the agency's doubts about the government's ability to prevent further bank closures shocked investors and financial authorities.

"Japanese policy with respect to the resolution of distressed institutions is shifting from one of protection and forebearance to one of resolution via liquidation, which may expose creditors to risk," Moody's warned.

The banks affected are Nippon Credit Bank, the smallest of the three long-term credit banks; Hokkaido Takushoku Bank, the smallest of Japan's 10 commercial banks; and Yasuda Trust and Chuo Trust, the fourth and second smallest of the seven trust banks.

Japanese banking



Source: Datastream

The four banks, among the weakest of Japan's top 20, have had difficulties dealing with bad debts. Moody's noted that the banks' prospective core earnings, existing capital and reserves "may not provide a sufficient cushion to absorb required loan-loss provisions".

Moody's noted the introduction of several laws last year which gave regulatory authorities greater powers to take action on troubled financial institutions. "Under the new laws, thresholds for corrective actions based on regulatory capital requirements will become effective in April 1998, after which time distressed banks would be declared insolvent by regulators."

A sell-off in bank shares on Monday left the stock market down by 2 per cent. The Nikkei 225 stock average fell 354.46 points to 18,334.80. Bank shares lost nearly 5 per cent in the day's trading.

Last year, bank shares fell an average 44 per cent, and have fallen a further 10.5 per cent since the beginning of this year, according to HSBC James Capel.

The banks rely on "hidden profits", or unrealised gains on their equity portfolios, to bolster income and meet international capital adequacy requirements. The recent stock market declines have cut into these latent profits and generated concerns about the banks as they approach the business year-end on March 31.

Banks near danger zone, Page 23

Kim orders inquiry into $5.8bn collapse of Hanbo

By John Burton in Seoul

President Kim Young-sam, the South Korean president, yesterday ordered an investigation into the collapse of the Hanbo steel and construction group, which opposition political parties described as "the biggest financial scandal in Korean history".

Hanbo's collapse last week with estimated debts of Won5,000bn ($5.8bn) has shaken the banking industry. It caused the Seoul bourse to fall by 2.9 per cent yesterday.

It has also increased pressure on the Kim administration, already reeling from protests over a controversial labour law and Korea's worst economic decline in more than two decades. Mr Kim's approval ratings have fallen below 20 per cent. Presidential elections are due later this year. Opposition parties said government officials had pressured banks to lend large sums to Hanbo in spite of its shaky finances, in return for illegal political donations from the industrial group.

Officials said the fault lay with the banks, although they admitted the need for better government supervision.

The opposition suggested one of Mr Kim's sons might be involved in arranging the loans for Hanbo, although it offered no evidence for the allegation.

That brought a stinging rebuke from the administration, which promptly agreed to hold a special parliamentary session in an attempt to dismiss "groundless allegations".

Prosecutors will examine whether Hanbo might have bribed bank executives to secure loans for the construction of a Won5,700bn steel mill which has proved to be unprofitable. In an attempt to calm worries over the health of the banking sector, Mr Han Seung-soo, the finance minister, said Hanbo had provided mortgage guarantees which more than covered its bank loans.

Earlier official estimates had suggested that some of the loans lacked adequate collateral, which would expose the banks to huge losses.

Korea's banks have long been a breeding ground for corruption, as capital is scarce. Businesses have often resorted to bribery to get loans.

More than 30 senior bank executives have been dismissed for corruption in the past five years. They included two previous presidents of Korea First Bank, the biggest lender to Hanbo.

How Hanbo treasure turned to dust, Page 8

Volvo chief

Continued from Page 1

The Volvo board, which was informed of the resignation last Friday, said it regretted but accepted Mr Gyll's decision.

Mr Gyll, who had no experience of the car industry when he joined Volvo in 1992, may have felt he had accomplished his prime task – that of restructuring Volvo's operations after the Renault debacle.

PepsiCo withdraws from Burma

Continued from Page 1

Democracy have effectively been banned while many of its activists have been jailed.

Democracy leader Ms Aung San Suu Kyi is under house arrest and last month thousands of students held demonstrations in the capital Rangoon and second city Mandalay.

Partly as a result, Heineken and Carlsberg, the brewers, Walt Disney, the entertainment conglomerate, and Apple, the computer group, have withdrawn or stopped buying products in Burma. Kodak said it would stop distributing its film products in the country.

The largest remaining US investor is Unocal, the oil company which has an equity stake in Burma's single biggest infrastructure project, a pipeline to transport natural gas from the Adaman Sea to Thailand.

Randgold aims to put its stamp on growing market

By Mark Ashurst in Johannesburg

Randgold, South Africa's smallest gold producer, is considering putting its name on its gold products in an attempt to cash in on international consumers' eagerness to help its home country.

Mr Peter Flack, Randgold's chairman, hopes the company's move will be the start of a trend, and imagines one day seeing a Cartier Randgold bracelet perhaps vying for shelf space with a Rolex Anglo American wrist watch in the select boutiques of Fifth Avenue and Bond Street.

Mr Flack accepts that gold looks, feels and costs the same all over the world. But he said: "If you can distinguish between brands of gasoline and household bleaches, you can do the same with gold."

In South Africa, he said, the tax paid by mines is spent on the Reconstruction and Development programme, devised by President Nelson Mandela's government to redress the evils of apartheid.

"It is important to differentiate," said Mr Flack. "South Africa is not like Papua New Guinea."

He said that Randgold had already won permission from the South African Reserve Bank, which traditionally manages the country's bullion sales, to sell its gold independently.

Up to a third of the output from its flagship Harmony mine would be sold directly from a new refinery. Randgold would start by selling "little bars", to be followed by hollow chain and jewellery blanks for rings or coins.

This value-added path would lead eventually to branding with the company name, he predicted. If the scheme enables the company to achieve an extra one per cent on the gold price, it would add R15m ($3.2m) to the group's profits.

The strategy emerged as Randgold announced record results for the December quarter. Higher operating profits combined with a bouyant rand gold price to boost net after-tax profit by more than 50 per cent, from R75m in the September period to R126.6m in the three months to December 31.

Analysts said the results were above expectations, but warned that Randgold was more highly geared to the gold price than the bigger mining groups.

Randgold said negotiations to complete the purchase of the marginal Saaiplaas mine from Freegold, the supermine controlled by Anglo American, would probably be settled this quarter.

THE LEX COLUMN

A family affair

There was no obvious theme to the corporate musical chairs in Sweden yesterday, but the identity of the conductor was apparent: the all-powerful Wallenberg family. Volvo has been Sweden's only alternative corporate sphere to the Wallenberg's Investor holding company. But the reshuffle of chief executives at Volvo, Electrolux and Atlas Copco means that former Wallenberg lieutenants will be chairman and chief executive at Sweden's largest car company. And this has happened as Volvo reaches a strategic crossroads, with Skr15bn ($2.1bn) of cash from divestments to spend.

Volvo's shares rose on news of the arrival of Mr Leif Johansson from Electrolux. But while he set impressive targets for operational performance at Electrolux, he failed to achieve them. Moreover the acquisitions he made, though strategically astute, were far from profitable. The white goods market has been tough, but this record offers no obvious cause for celebration.

Indeed, there are reasons for concern. Volvo's management has suggested returning a large chunk of cash to shareholders. A new boss will probably have more ambitious plans – particularly if the Wallenbergs pull strings, since they have no direct stake in Volvo and would gain nothing from any pay-out. Volvo must choose between trying to survive as a relatively small independent carmaker or pursuing strategic partnerships. The latter looks the more profitable route for investors. Volvo's cash mountain could encourage a riskier, if more glorious, strategy.

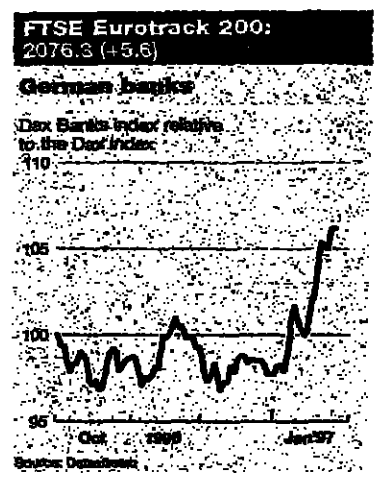
German banks

After five years of underperformance, German bank shares have scorched ahead spectacularly. Over the past three months, Commerzbank's price has risen by 27 per cent, Dresdner's by 32 per cent, and Deutsche's by 17 per cent. For the first two, this is double digit outperformance of a stock market itself rallying strongly.

This is doubly puzzling. With European economies and interest rates increasingly synchronised, banking stocks might be expected to trade similarly across borders. Yet Swiss and French bank stocks have enjoyed nothing like the same rally. It is also far from clear why German bank shares have rallied in the first place. Certainly a bull case can be made: it rests on expectations of cost-cutting and consolidation, optimism about trading profits, and a catch-up argument.

FTSE Eurotrack 200: 2076.3 (+5.6)

German banks



Source: Datastream

This is well and good, but there are two snags. First, other European banks have made greater progress in trimming costs. Second, the extent of over-regulation means that rationalisation benefits remain very difficult to achieve in practice. Moreover, returns are inhibited by the privileged position enjoyed by savings and co-operative banks.

All this leaves German bank shares looking extremely exposed. Deutsche and Dresdner, for example, enjoy valuation premiums of more than 50 per cent compared with the big three Swiss banks. These cannot be justified. It is time to take profits.

UK rights issues

Could the great debate over UK rights issues be almost over? It is a possibility. For one thing, the old sub-underwriting cartel is crumbling; in recent issues a chunk of sub-underwriting has been tendered competitively. Given the savings that have resulted, fixed commissions look to be an endangered species.

As for rights issues themselves, the traditional argument against change was that existing investors need protection from dilution through shares going to new investors at an unfairly low price. But, as investment bank BZW points out, a US-style bookbuilding should be able to accommodate such protection by fixing a price through competition, but giving existing investors a prior right to buy at that price.

Assuming this can be made to work, only one big argument for the existing system remains: bookbuilding is likely to be more expensive. Against the benefits of marketing a big public offering – which can help a share price – have to be weighed the costs. True, but this judgment cannot sensibly be made across the board; companies need the freedom to weigh costs and benefits depending on their individual circumstances.

This flexibility need not give bookbuilders an easy ride: rights issues would simply have to compete on their merits. After all, more competitive sub-underwriting fees will make them better placed to do so. But they should also give the recipients – institutional investors – a far less powerful incentive to stand in the way of change.

Newman Tonks

Trading at 100p a share just before FKI's bid, Newman Tonks was surely undervalued. Whether the architectural hardware group is worth 75 per cent more than that – the price of Ingersoll-Rand's counter-offer – is doubtful. Ingersoll, which also makes doors, locks and door closers, can claim some benefits from combining the two companies' product ranges and distribution channels. And Newman Tonks offers the US group a strategic foothold in Europe. But for that it is paying a very full 21 times earnings. Even using Newman Tonks' upwardly mobile profit forecast of £18m for 1996, Ingersoll will get a post-tax return on its £230m investment of only 5 per cent.

Since the bid is in cash, none of this need occupy Newman Tonks shareholders: unless an even higher bid emerges, they should grab Ingersoll's money. They might also give a vote of thanks to M&G, which started the auction process by pledging its 11 per cent stake to FKI.

FKI itself is in a trickier position. It can make a similar commercial case to Ingersoll, since it also has a US-based hardware division. And FKI's management must find it galling to have identified a sitting duck only to see it bagged by someone else. Even so, the group should walk away. If it re-bid at, say 200p, it would have nearly to triple Newman Tonks's profits to avoid diluting its own return on capital – a task that seems impossible even for its astute management. It would be smarter to preserve its firepower and reputation for another day.

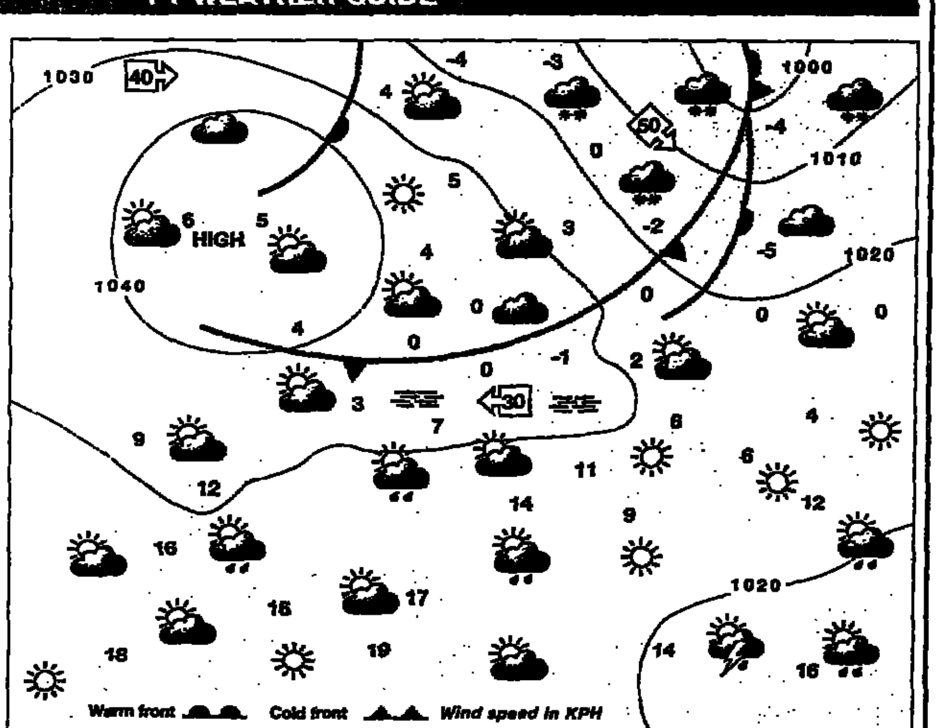
FT WEATHER GUIDE

Europe today

Most of western Europe will be dry with a mix of sun and cloud, as high pressure stalls over the UK.
Sun will prevail in northern Germany, while the south will be mainly cloudy. An isolated shower is expected in south-western France.
The Iberian peninsula will have sunny periods. The Mediterranean coast will have showers.
Southern Italy will also have a shower or two. The north will be dry with a mix of sun and cloud, but local fog patches will be persistent.
Fog is also expected over the Balkans, which will otherwise be sunny.

Five-day forecast

The high pressure system will remain over the UK and western Europe will continue to have sun mixed with cloud.
Scandinavia will stay unsettled, as will Eastern Europe, which will have some snow.
Southern Europe will be mostly fair with some sun.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius											
Abu Dhabi	sun 24	Beijing	sun 5	Caracas	sun 29	Faro	fair 18	Madrid	fair 11	Rangoon	sun 31
Accra	fair 32	Belfast	fair 6	Cardiff	fair 5	Frankfurt	fair 3	Majorca	shower 14	Reykjavik	rain 7
Algiers	shower 16	Belgrade	fair 3	Casablanca	fair 19	Geneva	fair 3	Malta	shower 14	Rio	cloudy 30
Amsterdam	fair 6	Berlin	fair 4	Chicago	fair -7	Gibraltar	fair 15	Manchester	fair 5	Rome	fair 15
Athens	sun 11	Bermuda	shower 19	Cologne	fair 4	Glasgow	fair 5	Manila	fair 29	S. Frsco	cloudy 18
Atlanta	cloudy 12	Bogota	fair 20	Dakar	sun 28	Hamburg	sun 5	Melbourne	cloudy 23	Seoul	cloudy 0
B. Aires	fair 30	Bombay	sun 30	Dallas	fair 7	Helsinki	snow -2	Mexico City	sun 24	Singapore	cloudy 31
B.ham	fair 6	Brussels	fair 4	Delhi	fair 21	Hong Kong	sun 18	Miami	fair 26	Stockholm	fair 1
Bangkok	fair 34	Budapest	fair -2	Dubai	sun 23	Honolulu	fair 27	Milan	fair 8	Strasbourg	rain 3
Barcelona	shower 13	C.hagen	sun 4	Dublin	fair 6	Istanbul	sun 7	Montreal	snow -3	Sydney	fair 26
		Cairo	fair 17	Dubrovnik	fair 12	Jakarta	shower 28	Moscow	snow 0	Tangier	fair 16
		Cape Town	sun 26	Edinburgh	fair 6	Jersey	cloudy 6	Munich	cloudy 1	Tel Aviv	cloudy 16
						Karachi	sun 25	Nairobi	fair 28	Tokyo	fair 10
						Kuwait	sun 17	Naples	fair 14	Toronto	fair -3
						L. Angeles	fair 21	Nassau	fair 26	Vancouver	rain 4
						Las Palmas	cloudy 20	New York	cloudy 5	Venice	fog 8
						Lima	fair 26	Nice	fair 12	Vienna	cloudy 0
						Lisbon	sun 15	Nicosia	sun 13	Warsaw	fair 2
						London	fair 7	Oslo	fair 4	Washington	rain 6
						Lux.bourg	fair 1	Paris	fair 4	Wellington	sun 19
						Lyon	fair 0	Perth	sun 35	Winnipeg	cloudy-20
						Madeira	shower 19	Prague	cloudy 0	Zurich	fair 1

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Nortel shares slip despite profit rise

Northern Telecom, the Toronto-based telecoms equipment supplier, ended 1996 on a strong note, with earnings up by 26 per cent and record order inflows. However, Nortel's shares, which have surged in the past month, dipped 88 cents to $68.38 in early trading in New York. Page 24

ScotPower issues its first eurobond

Scottish Power, the UK's largest multi-utility company in the electricity and water sectors, has issued its first eurobond. The £200m ($334m) proceeds will refinance part of the £1.5bn of bank debt following the acquisition of UK utilities Southern Water and Manweb. Page 26

RPR predicts 7% sales growth

Sales this year by Rhône-Poulenc Rorer, the US pharmaceuticals company controlled by French chemicals company Rhône-Poulenc, will rise by more than 7 per cent, RPR said. Page 24

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Ind Werke	370	+	11
Falls			
Harlitz	174	−	22
Lahmeyer	602	−	11
PWA	208.8	−	7.2
Rheinmetall Pf	205	−	6
Volkswagen Pf	586.0	−	13.5
NEW YORK ($)			
Rises			
AO Smith	34	+	4
MEMC Elec	29¼	+	2
Measurex	34½	+	10½
Falls			
Centennial Tec	30¼	−	3¼
Kent Elec	29⅝	−	2⅝
Rhn-Poulenc	71¼	−	4¼
LONDON (Pence)			
Rises			
Eng Nat Inv	257½	+	26½
Lanica Trust	1737½	+	162½
Newman-Tonks	180½	+	29
Priant Leisure	140½	+	15½
Rowlinson Sec	227½	+	30
Falls			
Norbain	332½	−	106½
TORONTO (C$)			
Rises			
Com Dev Intl	14.75	+	0.95
Ell Eco Logic	7.10	+	2.05
Sotographics	5.75	+	0.75
NDS A	32.35	+	1.95
Falls			
Canbra Foods	14	−	2
Slicorp	18.5	−	1.5
PARIS (FFr)			
Rises			
CGIP	1510	+	49
Rhn Poulenc A	184.6	+	8.3
Sommer-Allibert	167	+	7
Synthelabo	605	+	34
Worms Cie	371.9	+	11.9
Falls			
Cargeurs Intl	300	−	11
TOKYO (Yen)			
Falls			
Ajinomoto	987	−	28
Asahi Bank	744	−	38
Fuji Bank	1180	−	120
Kajima	686	−	35
Nippon Sharyo	654	−	42
Tokyo Steel	1400	−	90
HONG KONG (HK$)			
Rises			
China Light	33.70	+	0.60
Citic Pac	39.50	+	1.10
Falls			
Amoy Props	9.90	−	0.25
Great Eagle	33	−	0.60
Varitronix	12.55	−	0.55
Wharf Hldgs	33.80	−	0.80
BANGKOK (Baht)			
Rises			
Allcachol Hsp	14.75	+	1.25
Metro Systems	20.00	+	1.75
PCM Precast	25.50	+	2.00
Post Publish	50.00	+	4.00
Falls			
Ayudhya Life	95.50	−	10.50
PAE	101.00	−	11.00

New York & Toronto prices at 12.30

GM to buy back $2.5bn of its shares

By Richard Waters in New York

General Motors set the seal yesterday on its return to financial health with a plan to buy back $2.5bn of its shares and raise its dividend by 25 per cent.

The moves were more cautious than analysts on Wall Street had hoped and were seen as an indication that the US carmaker was some way from completing its restructuring and lifting profit margins in its core domestic operations.

Yesterday's moves come five years after the then-struggling automotive giant was forced to turn to the equity markets for $2bn to plug its dwindling cash resources. "The question used to be whether they would survive, so it's quite a turnaround," said Mr David Healy, a motor industry analyst at Burnham Investment Research.

GM also disclosed that it had $17bn of cash at the end of last year, $6bn more than a year earlier and $4bn more than the reserves it needs in case the cyclical market turns down.

The company's high level of liquidity led analysts to project a rapid completion of the buy-back programme, as well as further repurchases soon.

GM's initial share buy-back, equivalent to about 5 per cent of its outstanding shares, is little bigger than the $2bn of repurchases mounted last year by Chrysler, a much smaller company. Chrysler was goaded into distributing more of its cash by its biggest shareholder, Mr Kirk Kerkorian.

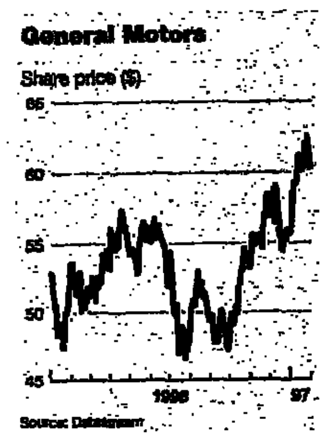
Yesterday's dividend increase, which puts GM's quarterly pay-out at 50 cents a share, also leaves the yield on the company's shares below the level of its domestic competitors. After a $2¼ fall in its shares yesterday morning, to $60¾, GM's annual dividend yield stood at 3.3 per cent, compared with 4 per cent at Chrysler and 4.4 per cent at Ford.

GM's stock price has risen steadily in recent weeks as Wall Street has looked forward to sharing directly in the company's recovery. Until now, GM has used the steady US recovery of the early- and mid-1990s to repair its balance sheet and erase its large pension deficit.

Standard & Poor's, the US credit rating agency, said it would leave GM's credit rating unchanged at A-minus, the same as Chrysler, in view of the "more aggressive financial policy" the larger company had adopted. Ford is more conservative with its cash and has a higher A-plus credit rating.

GM's rating in part reflects the uncertainty over its restructuring, said Mr Scott Sprinzen, an analyst at S&P.

The company announced plans earlier this month to shed the defence business of its Hughes Electronics unit, and to plough $4bn of cash from that sale into its remaining telecommunications operations.



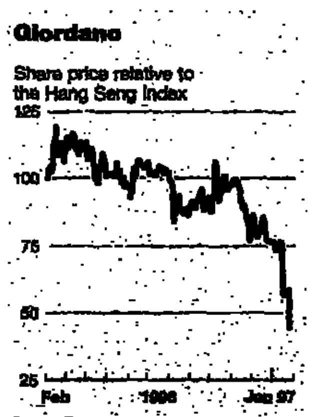
Giordano hit by concerns over China

Out of favour HK retailer sees shares fall further 25%

By John Ridding in Hong Kong

Shares in Giordano, the Hong Kong-based clothing retailer, fell 25 per cent yesterday after a statement from the company fuelled concerns about its operations in China.

The fall, from HK$5.05 to HK$3.80, takes the decline since the beginning of the year to more than 40 per cent. It is the latest blow to be dealt to the group's problems on the mainland, which have raised concerns about the risks of doing business in China.



Giordano has been dogged by setbacks in China since Mr Jimmy Lai, its founder and former chairman, criticised the Chinese premier in 1994. That was followed by the closure of its Beijing store.

Retail analysts in Hong Kong said the share sell-off was the result of Giordano's failure to secure agreements to open outlets in Beijing and Shanghai. They said political considerations remained a factor, in spite of Mr Lai's sale last year of his shares in the company.

"It is very hard to resolve those kinds of problems," said Ms Louisa Sung, at Sassoon Securities. Another sector analyst said: "Giordano is out of favour in China and that is threatening business."

Giordano said yesterday that negotiations on opening retail outlets in Beijing and Shanghai had not been completed and that the group had received "demands for levies and other payments" resulting from "regulatory procedural requirements".

The statement said directors were seeking a resolution of the demands and that the amounts involved would not seriously affect the group's financial stability.

The group rejected reports that it had suffered a mass defection of franchise holders in China. It said it was not aware of official action to close operations on the mainland next month, as has been suggested in press articles. Giordano said it was committed to expanding business there.

It was also considering the the introduction of strategic investors into the group.

Giordano described sales as satisfactory and said the number of outlets on the mainland, was 124, a net increase of 31 compared with the end of 1995.

Yesterday's fall in the share price appeared severe given that the mainland accounted for just 15 per cent of Giordano's sales of HK$3.48bn ($452m) in 1995. But analysts said the effect was amplified by questions about the impact of China's claims against the group and raised expectations about the mainland market.

US company makes agreed £230m offer

Ingersoll trumps FKI bid for Newman

By Tim Burt

Ingersoll-Rand, the US industrial equipment group, yesterday announced plans to create one of the world's largest building product manufacturers by trumping FKI's hostile £189m ($315.63m) bid for Newman Tonks, the UK architectural hardware company, with a £230m agreed takeover.

The US group, which said the cash offer signalled an acceleration of its European expansion strategy, predicted it would succeed in defeating the mixed cash and paper bid from FKI, the diversified UK engineering company.

Last night it emerged that Assa Abloy, the Swedish locks manufacturer, had also considered a cash and share offer for Newman Tonks thought to be worth more than £200m.

But the Scandinavian group, advised by Skandinaviska Enskilda Banken, said it had decided not to proceed.

Newman Tonks urged shareholders to accept the Ingersoll bid, describing it as a full and fair price for its shareholders. Its shares rose 29p to 175½p, just ahead of the 175.4p-a-share offer from Ingersoll.

The cash bid from Ingersoll - which yesterday also announced annual pre-tax profits up from $270.3m to $358m on sales of $6.7bn - represented a 75 per cent premium to Newman Tonks' 102.5p share price before FKI announced its offer last month.

FKI's initial offer is worth 148.4p. Although it has already secured acceptances at that level from shareholders holding 20.6 per cent of Newman Tonks, those investors would be free to accept the Ingersoll bid if FKI allowed its offer to lapse.

They include M&G, Newman Tonks' largest institutional shareholder, which surprised rival fund managers by giving an irrevocable undertaking to accept FKI's bid at the outset.

A rival fund manager with shares in Newman Tonks yesterday said Ingersoll's approach reflected the growth prospects for the group. "This shows that there is considerable value in Newman Tonks' long term market position."

Ingersoll said Newman Tonks' strong market position in Europe would complement its leading presence in North America, where it already manufactures door locks and closers.

Mr Brian Jellison, vice-president of Ingersoll-Rand, said the enlarged group would benefit from stronger purchasing power, an improved distribution network and shared technology.

Lex, Page 18


Newman Tonks chief Geoff Gahan (left), with Ingersoll-Rand vice-president Brian Jellison after the US group announced a £230m agreed takeover with the UK company Picture: Ashley Ashwood

Merrill Lynch reports record earnings

By Tracy Corrigan

The last of the big Wall Street firms to report its earnings, Merrill Lynch, yesterday brought a triumphant season for brokerages and investment banks to a fitting close, reporting record earnings for 1996 and beating analysts' estimates for the quarter.

Merrill's net income for 1996 was $1.6bn, compared with $1.1bn in 1995. Earnings per share of $2.27 for the fourth quarter were substantially above analysts' estimates of $1.96 and above the third quarter's $1.68.

However, coming at the end of a season of positive earnings surprises for financial institutions, due to strong underwriting and trading conditions and a booming mergers and acquisitions market last year, Merrill's share price failed to benefit, slipping $⅞ to $83⅞ in a weak market.

"The good times keep rolling," said one analyst, but noted that investment banks will face difficult earnings comparisons in 1997, given their good showing last year.

Merrill's return on common equity rose to 26.8 per cent in 1996, compared with 20.1 per cent in 1995. Net income for the quarter was $445m, up from $331m in the third quarter. The cost of compensation and benefits in the fourth quarter was $1.7bn, up 26 per cent on the same quarter of the previous year because of "higher variable compensation related to increased profitability and business volume", Merrill said.

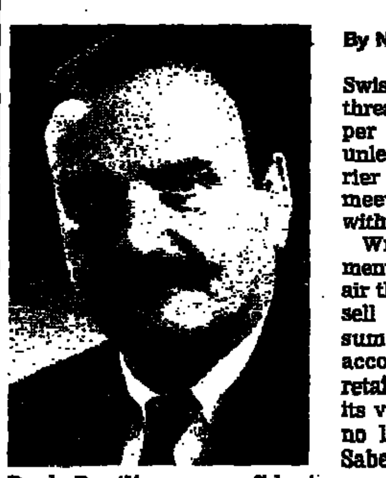
Despite a large increase in bonus payments last year, compensation and benefits expenses as a percentage of net revenues were stable at just under 50 per cent.

Like many other investment banks and brokerages, Merrill plans to increase staff numbers this year. Employment levels on Wall Street reached record levels last year, according to the Securities Industry Association. While bonus payments are a flexible cost, some analysts have expressed concern that Wall Street firms are also adding to their fixed cost base by increasing staff numbers in a bull market.

"We achieved record profits while continuing to plan for the global growth of our business through strategic investments designed to benefit our clients and shareholders for years to come," said Mr Daniel Tully, Merrill's chairman.

Merrill retained its position as the leading underwriter of debt and equities worldwide, with a market share of just under 13 per cent, according to Securities Data.

Swissair may write down Sabena stake


Paul Reutlinger: confident Sabena will succeed

By Neil Buckley in Brussels

Swissair, the Swiss airline, has threatened to write down its 49 per cent stake in Sabena unless the ailing Belgian carrier demonstrates that it is meeting cost-cutting targets within six months.

Writing down the investment to zero would give Swissair the option to walk away, or sell its stake for a symbolic sum to another investor, according to Sabena. If it retained the stake, writing off its value would mean Swissair no longer had to consolidate Sabena's losses in its group accounts.

A Swissair pull-out could put Sabena's future in question, since the Belgian state, which retains the majority stake, has not indicated whether it would be prepared to bail out the national carrier.

Mr Paul Reutlinger, the Swissair-appointed chairman of Sabena, says he is confident the Belgian airline will succeed in its restructuring programme, which aims to return the airline to profit by 1998 by reducing BFr4.7bn ($140m) from annual costs.

But he told a Belgian newspaper that Swissair was ready to write off the $207m investment it made in Sabena in 1995 if the budget was not "moving in the right direction". Mr Reutlinger was seeking to end a series of rumours in Belgian financial circles last week, some emanating from Sabena pilots. These ranged from an imminent pull-out by Swissair, to a break-up of Sabena or plans to hand over operation of many routes to its partner airlines, Delta of the US, Austrian Airlines and Singapore Airlines.

There were also rumours of a partial merger with Mr Richard Branson's Virgin Express, the cut-price airline that has taken over operation of Sabena's Brussels-London Heathrow slots.

Sabena said: "Swissair are not demanding we make a [first-half] profit, they know we will make a loss. What they want to see is that we are sticking to budget. Mr Reutlinger very strongly believes we can do it."

The restructuring plan, agreed with Sabena's four unions after months of difficult negotiations last October, aims to reduce costs by BFr4.7bn by 1998, and BFr6.7bn by 2000.

In the first stage, BFr2bn is to be cut from staff costs, about 20 per cent through a two-year wage freeze, and the rest from more flexible working practices and 500 redundancies among the 9,500 workforce.

Property disposal helps Suez back to black

By Andrew Jack in Paris

Suez, the French holding company which has been undergoing substantial restructuring, yesterday announced a return to the black with profits of FFr800m ($145m) in 1996 after completing a property sale with a gross value of FFr9bn.

The group said Whitehall Street Real Estate VII, the US-based property fund managed by Goldman Sachs, the investment bank, had paid about FFr3bn to acquire property development activities with a net value of FFr4bn.

"Our property problem is now trivial," said Mr Gérard Mestrallet, chairman, who said Suez had gone through a "profound mutation" during 1996 after reporting losses for 1995 of FFr3.9bn. "I am confident for the future of the group in 1997."

He said Suez had begun last year as a financial services group with debt of FFr5bn, and ended it with 70 per cent of its turnover coming from industrial and service activities, and with cash of FFr5bn.

This followed the sale of Banque Indosuez and its controlling stake in Tractebel, the Belgian-based utilities group.

Mr Mestrallet stressed that the group was now focusing on two areas: the provision of financial services to individuals, and of infrastructure and services to local authorities.

The group unveiled details of its plans to dispose of its remaining property holdings by 2001. The holdings' book value has fallen from FFr30bn at the end of 1993 to FFr14bn at the end of last year.

Apart from the Whitehall deal, FFr2bn of holdings will be sold gradually over the next five years, while the remaining FFr3bn will be hived off into a separate property company. This will control property with 90 per cent occupancy rates and is obliged to pay Suez a dividend of at least 5 per cent a year.

Whitehall, which bid against Lehman Brothers and Morgan Stanley of the US for the property portfolio, already acquired a FFr745m package from Suez last year, as well as FFr3.2bn from UAP, the insurer which has recently merged with AXA.

Separately, Suez said it had made a provision of FFr500m against its shareholding in Axa-UAP, and that its total provisions against the French property crisis during 1996 had been FFr2.5bn.

The company said operating profit for 1996 would be FFr2.3bn.

Gains during the year included FFr500m from its sale of the UK-based Gartmore fund management business, and FFr900m on Indosuez.

Kirch calls for dismissal of Premiere managing director

By Frederick Stüdemann in Berlin

The tussle between KirchGroup and Bertelsmann, two of Germany's biggest media companies, over the development of pay-TV has taken a personal turn. Kirch has demanded that the managing director of Premiere, a pay-TV channel in which both companies have stakes, be dismissed.

In a letter sent last week to members of Premiere's supervisory board, Kirch proposed that Mr Bernd Kundrun be sacked on the grounds that he was allegedly prejudiced in favour of Bertelsmann. This company has a stake in Premiere through the recently formed Luxembourg-based company CLT-Ufa, in which Bertelsmann has a 50 per cent share. Before moving to Premiere in 1994, Mr Kundrun was head of the Bertelsmann Club, a book club company.

The Kirch move follows Mr Kundrun's recent success in frustrating the development of Kirch's digital pay-TV network, DF-1, which was last week served with an injunction by a Hamburg court banning it from marketing outside Bavaria.

Mr Kundrun went to court alleging that while Premiere was preparing to launch its digital services in a series of pilot projects agreed with the regulatory authorities, DF-1 had over-stepped its licence from the Bavarian media authority.

The proposal to dismiss Mr Kundrun was rejected by Premiere's supervisory board, which is made up of two representatives each from Kirch, CLT-Ufa and Canal Plus, the French media group.

CLT-Ufa and Canal Plus each hold stakes of 37.5 per cent in Premier, while Kirch owns 24 per cent.

In a separate move Mr Gottfried Zmeck, Kirch managing director and head of DF-1, is set to leave the supervisory board in favour of Mr Klaus Piette, Kirch's legal and personnel director.

Kirch said the change was nothing unusual and had been planned since Mr Piette's appointment to the board last autumn. Sources close to Premiere, however, see the departure of Mr Zmeck as evidence of a shift in Kirch's strategy and a hint that the Munich-based company is keen on reducing tensions with CLT-Ufa.

The balance of power between the two companies has changed in recent weeks. Premiere has steadily increased subscriber numbers, which now total 1.43m. The company forecasts that it will make a profit this year – its first since it was launched six years ago.

The lukewarm start of DF-1, which was launched last summer and has so far attracted only 20,000 subscribers, has put pressure on Kirch. The group, headed by Mr Leo Kirch, has spent heavily buying Hollywood content.

Leo Kirch, the German media mogul who heads KirchGroup

Thyssen scales back plan for telecoms expansion

By Ralph Atkins in Bonn

Thyssen, the German conglomerate which two years ago set out aggressive expansion plans for its telecoms interests, yesterday ruled out "an offensive at any price" in the fixed-line telephone market.

In comments which contrasted markedly with its earlier ambitions to take a "leading" position in the market, the Düsseldorf group said it would concentrate instead on building its position as a services provider, including new multimedia sectors.

The change of tone underscored the difficulties faced by would-be rivals to Deutsche Telekom – in spite of the prospect of liberalisation of the German market from 1998.

Thyssen last year failed narrowly to win a 49.8 per cent stake in DBKom, the telecoms network of Germany's railway system, which went instead to Mannesmann, another German conglomerate. It has also seen other large groups forming alliances to range against Deutsche Telekom.

Mr Dieter Vogel, chairman, said creating the right conditions in the fixed-line domestic market was only possible "when one is prepared, for the next 10 years, to make no profit – we are not".

However, he said Thyssen could still expand into operating a fixed network later – suggesting he had not yet ruled out applying for a licence for public voice and data services after next year.

Moreover, Thyssen was not looking to sell its 30.125 per cent share in E-Plus, Germany's third-largest mobile telephone network, which was well positioned to take advantage of the "still dynamic" mobile market. An offer worth up to DM3bn ($1.84bn) for the stake from RWE, the energy and telecoms group, is understood to have been rebuffed last year.

Speaking at Thyssen's annual results press conference in Düsseldorf, Mr Vogel also said the group was looking for acquisition possibilities to expand its lift manufacturing activities and help double the division's turnover to DM5bn by 2000.

The group continues to undergo a large-scale restructuring, including withdrawing from unprofitable businesses.

Mr Vogel said results in the traditionally-weak first quarter were still "not satisfactory". Turnover, at DM8.7bn, was down 6 per cent compared with the same quarter a year ago but was level after taking account of disposals.

For the year to September, Thyssen reported a 36 per cent fall in pre-tax profits to DM654m with steel and construction sectors hit particularly by poor trading conditions.

INTERNATIONAL NEWS DIGEST

Moulinex plans early retirements

Moulinex, the French manufacturer of electrical appliances, yesterday announced a programme of [illegible] early retirements and moved 759 staff to part-time working in an agreement with its unions to avoid widespread compulsory redundancies.

The company also said it planned to launch a FFr522m ($95.7m) rights issue at FFr98 a share, and said that rising margins and lower raw materials prices suggested its operating profits for 1996-97 were likely to rise.

The action came after its plans last year to lay off substantial numbers of staff in an effort to reduce costs which triggered a national political uproar and led to widespread protests.

Moulinex said it had delayed some product launches into this year, streamlined its range and introduced a more selective sales policy. Turnover for the third quarter of 1996-97 rose 0.6 per cent on the same period last time.

Andrew Jack, Paris

Bezeq arranges $100m loan

Bezeq, Israel's state-owned telecoms company, will raise $100m without guarantees from an international consortium to finance part of this year's investment programme and repay some of its Shk8bn ($2.43bn) outstanding debt. The loan, arranged by Union Bank of Switzerland, Dresdner Bank, of Germany and Fuji Bank, of Japan, will be finalised in March and repaid over a period of seven years.

Mr Isaac Kaul, outgoing president of Bezeq, yesterday said the loan would be used to finance the expansion of services at a time when Bezeq and the Israeli government are locked in a dispute about how and when the company will be privatised. Bezeq's Shk1.8bn investment programme cannot be fully met by its cash flow, which totalled Shk1.4bn for the first nine months of 1996.

Judy Dempsey, Jerusalem

Polska Miedz profits drop

Polska Miedz, the Polish copper producer which is due to be privatised later this year, has reported a 500m zlotys ($167m) gross profit for last year, a drop of 300m zlotys on the 1995 result.

Mr Stanislaw Siewierski, managing director, blamed the slump on last year's fall in the world copper price. He told the Rzeczpospolita newspaper this marked a 22 per cent drop in 1996 on the previous year's annual average price of $2,936.50 a tonne.

Last year, Polska Miedz produced 424,700 tonnes of copper, 933 tonnes of silver and 530 kg of gold. Copper output was up 5 per cent on the previous year and costs were 5 per cent down, Mr Siewierski said.

Management is hoping to see a public offer of stock in the company – which is valued at about $2bn – at the end of June.

Decisions still have to be taken by the government as to how much of the company's equity will be offered on the Warsaw Stock Exchange and how much abroad.

The government, which is being advised by a consortium comprising UBS, BZW and the local Wielkopolski Bank Kredytowy, plans to retain 49 per cent of the stock, while 15 per cent is to be handed to Polska Miedz's 24,000 employees.

Christopher Bobinski, Warsaw

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Figaro in move to defuse row

By Vincent Boland in Prague

Jacobs Suchard Figaro, a Slovak confectionery maker controlled by Philip Morris, of the US, has agreed to hold an extraordinary shareholder meeting to defuse a row over charges of "mismanagement and possible tax evasion" levelled by a group of minority investors.

Prague Capital Partners, a Czech asset management firm leading a group of Figaro investors, demanded the meeting last week to air the charges, which Figaro rejects. The investors also renewed their allegations that the company had a "dismal" disclosure record and "poor earnings", which they attributed to "transfer pricing irregularities and mismanagement".

A similar row between Philip Morris and Figaro's minority shareholders erupted in 1995, but Mr Robert Blazek, managing director of PCP, said it was still unresolved. Under Slovak law the meeting must be held within 30 days of the request, which was received late last week.

PCP and Wyser-Pratte of the US, with which it is acting, control 10 per cent of Figaro. Mr Blazek said the group included other foreign and domestic investors.

Philip Morris, through the Kraft Foods unit of its subsidiary Kraft Jacobs Suchard, owns 67 per cent of the Slovak company, for which it paid about $20m in 1992.

Kraft strongly denies the charge of tax evasion in relation to an audit by the Slovak tax authorities in 1995, after which Figaro paid nearly $2m in back taxes and fines.

Mr Michael Cohen, a lawyer for Kraft, said the audit concerned "a VAT issue that was not correctly handled". Back taxes and a fine were levied but the fine was reduced on appeal. "Nothing has come out of the investigation which implies wrongdoing or tax evasion," he said.

Mr Blazek said minority shareholders wanted Philip Morris to pursue "a transparent disclosure policy" at Figaro similar to that operating at the parent company. Investors were "astounded by the continued refusal of Kraft Foods and Figaro management to meet with financial analysts. It begs the question: what do they have to hide?", he said.

Kraft maintains there is no requirement in Slovak law or the rules of the Bratislava Stock Exchange to change Figaro's disclosure policy. "We will hold the meeting and go through the agenda and we see no problem from our side in explaining where we stand," Mr Cohen said.

SGS-Thomson president upbeat

By David Owen in Paris

Mr Pasquale Pistorio expects SGS-Thomson Microelectronics, the Franco-Italian semiconductor manufacturer, to continue outperforming the industry average, in spite of growing competition in custom-made, or differentiated, products – one of its strongest areas.

The SGS-Thomson president said in an interview with the Financial Times he was "really convinced" the company had "fantastic" fundamentals. "The way we are structured, we should continue to outperform the market average."

Speaking within days of a plunge in the company's hitherto buoyant share price, triggered by his suggestion that pricing pressures might eat into first-quarter margins, Mr Pistorio acknowledged that "many more companies than in the past are looking at differentiated products".

But he argued that the complexity of the skills and technologies needed to be successful in the area were likely, for a time, to help protect SGS-Thomson from this new competition. "It is not something you build overnight," he said. "We have been working in this direction for 10 years and the pay-off is there."

Mr Pistorio said he expected little change in the balance of the company's product portfolio. About 60 per cent of revenues are currently generated by differentiated products and 40 per cent by standard products.

The prices of custom-made products tend to be less volatile than those for commodity chips, partly owing to the close relationship between manufacturer and customer that is usually entailed.

This is borne out by current pricing trends which, Mr Pistorio said, had seen commodity chip prices fall by 20-30 per cent, against a comparatively modest 5-8 per cent decline for differentiated products.

The SGS-Thomson president acknowledged being "a little bit disappointed" at the tumble taken by the company's share price, which has fallen from FFr431 to FFr363.9 since Wednesday, when it unveiled results showing a 19 per cent advance from $526.5m to $625.5m in 1996 net income.

His comments came as the French and Italian industry ministers confirmed that they attached a strategic interest to keeping the same number of shares in the company in the hands of both countries.

A 17 per cent stake in SGS-Thomson currently owned by Thomson-CSF, the French defence electronics group, is expected to change hands later this year.

VW in talks on India project

By Lisa Vaughan in New Delhi and Haig Simonian in London

Volkswagen, Germany's leading carmaker, has reactivated plans to build vehicles in India after talks between a senior executive and local authorities.

Mr Bernd Löhning, VW's head of government relations, said the company could spend $100m on a new plant in Bangalore this year. The project to build two models would be a joint venture with a leading domestic carmaker, with each partner holding equal shares.

"We have been talking to two leading Indian car manufacturers and a decision on the final selection will be made in a couple of weeks," he said yesterday.

VW officials in Germany confirmed the company had been examining the Indian market, but denied a decision was imminent. "The project has been at the feasibility stage for more than two years, but no decisions have yet been taken," the company said.

Mr Martin Posth, VW's board member for Asia, said this month that the company could spend between $130 and $150m to build up to 20,000 cars a year in India. Although VW had considered all its brands, the project was most likely to involve Skoda, he said.

Mr Posth said VW might later build up-market Audi models, although the timing depended on Indian demand for executive cars.

Eicher, the Indian tractor and light truck group, is believed to be one of VW's two potential partners. Talks between the two companies fizzled out last year, although VW denied they had broken down irrevocably.

VW is the latest foreign carmaker to show interest in India since the market was deregulated in 1991.

Since then, Korea's Hyundai and Daewoo, Fiat and Peugeot from Europe, Ford of the US as well as Honda and Mitsubishi from Japan have announced big investment plans.

Analysts said VW's tardiness could count against it as the middle market is becoming overcrowded, with manufacturers offering discounts to lure buyers.

"Volkswagen is a very late entrant, and shouldn't look to build up its volumes before five years," said Mr Kapil Krishan, of Peregrine Securities.

"The Indian market is very price-sensitive, and the medium segment will grow only slowly." Because the market is expected to take years to develop, foreign carmakers are expected to use India as an export base, he added.

Brazil lets in more foreign banks

By Geoff Dyer in São Paulo

Three more foreign banks have been allowed in to Brazil's domestic market: Banco Santander, Spain's largest bank, Korea Exchange Bank and Société Générale, the largest commercial bank in France.

Low inflation and more stable economic conditions have encouraged foreign banks to expand their operations into Brazil over the past two years. They usually do this by buying small or struggling Brazilian banks.

Mr Alkimar Moura, a director at the central bank, said that greater participation by foreign banks in the domestic financial market was in the national interest because it would increase competition.

Banco Santander has been allowed to purchase a majority stake in Banco Geral do Comércio, which is owned by Camargo Corrêa, a large private construction group.

Banco Santander will be able to operate in commercial and retail banking in Brazil.

The Santander group already has a significant presence in Latin America, having made previous acquisitions in Mexico, Chile and Peru.

Korea Exchange Bank, which was privatised in 1994, has been authorised to turn its representative office into a commercial banking operation and is expected to offer lines of credit worth $1bn, the central bank said.

The Brazilian government hopes Korea Exchange Bank will encourage further investment by Korean companies in Brazil.

Korean investment has already reached $3bn and is expected to be worth $5bn by the end of the decade.

Société Générale has been allowed to take complete control of Banco Sogeral, in which it already had a 50 per cent stake.

In a further addition to the list of foreign banks operating in Brazil, Republic National Bank of New York opened an office in São Paulo earlier this month, marking the return of the bank's founder, Mr Edmond Safra, to the Brazilian banking industry.

Lebanese-born Mr Safra emigrated to Brazil in the 1940s, but left the country in 1956 to found his own firm in Geneva.

Mr Safra sold his stake in the family business, now Banco Safra, one of Brazil's largest banks, to his brothers, Joseph and Moise.

A new generation of entrepreneurs

Xavier Autrey and Alonso Ancira head one of Mexico's largest business empires

It has taken Mr Xavier Autrey and Mr Alonso Ancira less than seven years to build one of Mexico's fastest-growing business empires: a $3bn mining, chemical and steel conglomerate carved out of Mexico's privatisation drive in the early 1990s.

Mr Autrey and Mr Ancira, both in their early 40s, form part of a new generation of entrepreneurs who are beginning to rival the old industrial aristocracy.

Mexico's 1994 peso crisis, however, exposed their precarious position. Investors expressed concern over the amount of debt – $1.3bn – that had been taken on to modernise Altos Hornos de México (Ahmsa), the steel complex privatised in 1991, and that an attempt to float Ahmsa on the New York Stock Exchange had to be abandoned earlier this year. Mr Autrey and Mr Ancira say they will try again next year, following the sale of $85m of convertible notes on the NYSE in December.

The difficulty in raising capital has not curbed their appetite for acquisitions. In an interview at Ahmsa's steelworks in Monclova, a mining town in the northern state of Coahuila, Mr Autrey and Mr Ancira said they had been poised to bid for Cosoleacaque, a state-owned ammonia producer, when the Mexican government shelved its plans to privatise the petrochemical industry. Grupo Acerero del Norte, the holding company for Mr Autrey's and Mr Ancira's investments, is now planning to bid for Venezuela's Siderúrgica del Orinoco, the last Latin American steel company in state hands. It is also analysing a petrochemical project in Chile.

Mr Autrey and Mr Ancira became partners in 1989, when Mr Ancira convinced his old schoolfriend that there was money to be made from the government's overpriced and undercapitalised mines. Mr Autrey, whose family has run Mexico's largest pharmaceutical distribution business for four generations, was the financial wizard who could make the plans work.

"I am the operator and Xavier is the financier, that's how our partnership works," Mr Ancira explains. While he exudes energy and impatience, Mr Autrey anchors his partner's ideas with a more dispassionate financial mind. They groan in unison when reminded of their least successful gamble – a 7 per cent stake in Inverlat, Mexico's fifth largest bank, which has been whittled down to almost nothing following heavy losses that required a government bail-out last year. Every other aspect of their business partnership fills them with pride.

"Real del Monte [a silver mine privatised in 1989 that was their first investment] was in serious trouble," Mr Ancira recalls. "The mine employed 3,500 workers, but sold only $24m-$28m worth of silver a year. Cananea, by contrast, produced $300m of silver with the same number of workers."

"The mine was losing the equivalent of the entire value of its assets every year," Mr Autrey pitches in, "so we asked the government how much it would cost to close down the mine, and we offered to invest the same amount in a business plan to keep the mine working." The deal was financed with a $75.6m debt-swap, only $6m of which was paid directly to the government. The remaining monies were invested in the mine.

Raising productivity was as simple as paying for new batteries for miners' lamps. "The old batteries lasted only two hours, which meant that miners spent most of their time travelling up and down shafts to recharge them," Mr Ancira says.

Due to low world prices for silver, Real del Monte has never made a profit. But the mine was useful to Mr Autrey and Mr Ancira in another way.

"When the privatisation of Ahmsa came along in 1991," Mr Ancira says, "we were able to raise bank loans on the strength of Real del Monte's not inconsiderable assets, which we reckoned were worth about $90m."

Mr Ancira and Mr Autrey were mainly interested in the coal and iron ore mines that were sold with Ahmsa's 50-year-old steelworks. "We knew nothing about steel, but we found a foreign partner – Hoogovens of the Netherlands – which was willing to act as our technological adviser," Mr Ancira says. "We also convinced Mission Energy, a subsidiary of Southern California Edison, the second-largest utility in the US, to join us. We planned to build coal-fired power plants once the Mexican government liberalised the electricity sector."

Mission Energy took a 50 per cent stake in GAN, and together they paid $145m in cash for Ahmsa and absorbed $350m its debt. In 1992, GAN acquired four privatised fertiliser plants and a large coal mine.

In the past five years, GAN has invested more than $1bn to modernise production facilities at Ahmsa's mines and steelworks. Had the investment not taken place, Ahmsa would not have been able to sell its steel abroad when the devaluation of the peso caused domestic demand to plummet. Before the devaluation in December 1994, Ahmsa exported less than 5 per cent of its production; two weeks after, Ahmsa had negotiated contracts to export more than 1m tonnes, or 43 per cent of its total production in 1995.

However, Ms Victoria Santaella of Santander Investment in New York estimates Ahmsa needs to invest an additional $500m to become a world-class steel producer. "With the revaluation of the peso and the fall in world steel prices, Ahmsa could experience difficulties in generating enough cash to finance its investment programme and repay its $1.3bn debt," she says.

Analysts, therefore, are urging Mr Autrey and Mr Ancira to consolidate. Mission Energy pulled out of the partnership in 1994, after waiting in vain for the Mexican government to liberalise the energy sector. Mr Autrey and Mr Ancira still owe the US utility $86.5m, a debt they intend to repay by the turn of the century.

"They have been geniuses at structuring leveraged buy-outs," Ms Santaella says, "but if one of their companies were to fail them, the whole edifice could fall like a pack of cards."

Leslie Crawford

This is the second in a series on Latin American family-owned companies. The first appeared on January 17

Xavier Autrey (left) and Alonso Ancira, owners of GAN

Busang groups lobby Jakarta

By Bernard Simon in Toronto and Manuela Saragosa in Jakarta

Chief executives of three mining companies vying for control of the vast Busang gold deposit in Indonesia have arrived in Jakarta to press their case with Indonesian officials and advisers to President Suharto.

The government has set a one-month ultimatum, expiring on February 17, for Bre-X Minerals, the small Calgary-based exploration company that discovered the deposit, to work out a deal with Toronto-based Barrick Gold and various local partners.

However, Placer Dome, the Vancouver-based gold producer, has tried to prise Bre-X away by offering a "merger of equals" that would include a stake of up to 40 per cent in Busang for the government and other local interests.

Bre-X, which already has a market value of over $4bn, would prefer an open bidding contest among international mining groups.

Busang, with reserves of at least 57m ounces, is believed to be the biggest gold discovery this century.

Mr John Willson, Placer's chief executive, has been putting his case to Indonesian officials for the past week. Mr Peter Munk, Barrick's chairman, and Mr David Walsh, Bre-X chief executive, arrived in Jakarta over the weekend.

Their presence reflects the networking and patronage that accompanies securing a contract in Indonesia. The government has title to the Busang property and controls the "contract of work" required before construction can start.

Mr Willson and Mr Walsh are understood to have met Mr Muhamad "Bob" Hasan, the industrial timber tycoon, who is close to President Suharto. Mr Hasan recently bought a stake in two Indonesian companies with a minority interest in part of the deposit.

According to Mr Willson, Mr Hasan's "main concern" was that Busang be developed "in a proper way, and that the partnership be harmonious".

Barrick earlier forged a partnership with Ms Siti Hardiyanti Rukmana, Mr Suharto's eldest daughter, while Bre-X signed a lucrative "consultancy" contract with the president's eldest son.

AMERICAS NEWS DIGEST

Viasa cancels all flights

Viasa, the Venezuelan airline, remains on the verge of bankruptcy after cancelling all its flights and indefinitely grounding its 12 aircraft. Hundreds of passengers were stranded at Maiquetia airport outside Caracas. Viasa officials said passengers currently holding a Viasa ticket would be able to travel with other airlines, but they gave no details of how Viasa would reimburse passengers or pay other airlines.

Following weeks of failed attempts to implement an emergency cost-cutting plan, the airline's directors decided last week to halt services on all routes indefinitely. It called on its principal shareholders, Spain's Iberia airline, and the Fondo de Inversiones de Venezuela (FIV), the state investment fund and privatisation agency, to resume negotiations, which had collapsed on January 15. A shareholders meeting had been called for February 8, when a final decision would be taken to either "recapitalise or liquidate Viasa".

Raymond Colitt, Caracas

DLJ hires healthcare advisers

Donaldson, Lufkin & Jenrette, the US investment bank, has hired two big names from the pharmaceuticals industry to advise on investments in healthcare companies by a newly established group within DLJ, Global Health Care Partners. The group will invest private equity capital in domestic and international healthcare companies.

Mr Henry Wendt, former chairman of SmithKline Beecham, will be the chariman of the new group and Mr Robert Cawthorn, former chairman and chief executive officer of Rhône-Poulenc Rorer, will be a managing director. Mr Douglas Rogers, an investment banker who has also founded several healthcare companies, will also be a managing director.

Tracy Corrigan, New York

NatSemi to sell Fairchild

National Semiconductor, the Silicon Valley chip maker, is to sell its Fairchild Semiconductor business unit. The deal calls for Fairchild's management, led by Mr Kirk Pond, a veteran National Semiconductor executive, and Sterling LLC, a Citicorp Venture Capital investment company, to lead a $550m recapitalisation of Fairchild. National will retain a minority equity interest.

The deal is expected to close by May, the end of National's fiscal year. National said it expected to record a gain on the sale once divestment costs have been determined.

Louise Kehoe, San Francisco

Repap writes off C$305m

Repap, a leading North American pulp and coated paper producer planning to merge with Avenor, has written off C$305.5m (US$226.71m) to cover the shutdown of its Alcell alcohol pulping project. This produced a total 1996 loss of C$496m, or C$4.02 a share, against net profit of C$140.1m, or C$1.14, 1995. Revenues were $1.7bn, down 17 per cent because of sharply lower pulp and coated paper prices.

Avenor plans to buy Repap for about C$3bn by share exchange and assumption of Repap debt. Two-thirds of its shareholders must approve the deal at a special meeting in Montreal on March 12.

Robert Gibbens, Montreal

PDVSA re-brands

Petróleos de Venezuela (PDVSA), the state-owned oil company, announced its new brand name and logo "PDV". It will appear on some 100 oil derivative products and at 1,500 petrol stations in Venezuela formerly marketed and operated by the subsidiaries Lagoven, Corpoven and Maraven.

The move marks PDVSA's renewed effort to unify the marketing strategies of its subsidiaries and comes in preparation for the opening of the domestic retail petrol market to foreign participation. Under a legislative proposal before congress, PDVSA will relinquish its 20-year monopoly on the petrol market. The new brand is also to be used on products for sale in the rest of Latin America. According to Mr Luis Giusti, president of PDVSA, "Deltaven has now become PDVSA's chief marketing arm".

Raymond Colitt, Caracas

Kimberly-Clark dips in Mexico

The continuing weakness of Mexico's domestic economy depressed both sales and operating profits at Kimberly-Clark de México, the country's biggest consumer products company. The Kimberly-Clark Corporation of Texas holds a minority stake in the company.

Analysts said the results of the paper products manufacturer were disappointing in the light of its acquisition of Crisoba, the local subsidiary of Scott Paper Company in the first quarter of last year.

For the year as a whole, Kimberly-Clark's sales stood at 9.1bn pesos ($1.15bn), 3 per cent up on last year. Operating profit increased 6 per cent to 2.6bn pesos, while net income jumped 47 per cent to 2.1bn pesos. However, 1996 sales fell 19 per cent when compared with figures for both Kimberly-Clark and Crisoba for the previous year. Similarly, operating profit fell 16 per cent, while net income edged up 1 per cent.

Daniel Dombey, Mexico City

Laidlaw in Vancom buy

Laidlaw, the Canadian-based transport and waste management group, is buying the school bus operations of Vancom, the third biggest company in this sector in the US and covering 150 school bus districts in seven states. The deal will expand Laidlaw's school bus revenues by about 10 per cent. Analysts estimate the deal is worth US$150m.

Robert Gibbens

AT&T begins attack on local telephone market

By Richard Waters in New York

AT&T yesterday fired the opening shot in its attack on the $100bn US local telephone markets with a business service aimed at its long-distance customers.

The biggest US telecoms company said it would start offering local calling next Monday in California, and would extend the service across the country in the coming months.

The move marks AT&T's return to local calling after an absence of more than a decade. The company's local exchanges were shed on the break-up of the Bell system in 1986.

Yesterday's launch of a local calling service for small and medium-sized businesses is likely to set the model for AT&T's attack on all parts of the local markets.

Mr Robert Allen, chairman, has set an ambitious target of seizing 30 per cent of local calls in the US.

AT&T said it would resell network capacity bought from Pacific Telesis, the local carrier which serves California, rather than build its own infrastructure.

This fits with its plans in other parts of the country, and reflects the cost and time required to build local switches and other facilities.

Californian regulators require PacTel to sell capacity to rivals like AT&T at a 17 per cent discount, a slightly less attractive rate than in some other large states. Texas has set a discount rate of 21.6 per cent, similar to that in New York.

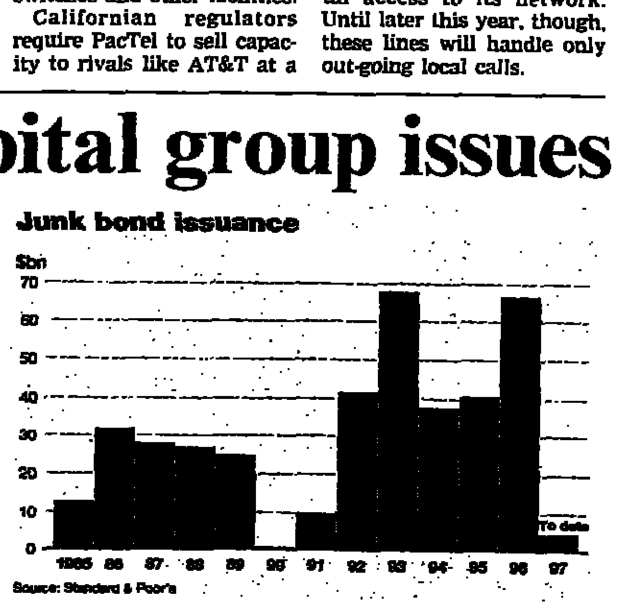
AT&T is touting a simplified pricing structure, rather than fierce discounts, as a way of attracting customers. That echoes moves it made last year to introduce much simpler pricing in the long-distance and wireless markets.

At the same time, AT&T said it would start carrying local calls for bigger companies that already have dedicated lines giving them digital access to its network. Until later this year, though, these lines will handle only out-going local calls.

US hospital group issues $2bn junk bond

By Lisa Bransten in New York

Junk bond issuance



Source: Standard & Poor's

Tenet Healthcare, the US hospital company, yesterday tapped US markets for $2bn in the largest junk bond issue since 1989, when RJR Nabisco sold debt to finance the leveraged buy-out by Kohlberg Kravis Roberts.

Soaring demand for high-yield paper contributed to a near-record level of issuance last year, and has brought yields on such debt to historically low levels in relation to Treasury bonds.

Demand for the new Tenet debt was so strong that the total amount was increased more than 50 per cent from the planned $1.3bn.

Tenet carries a rating of BB/Ba1, just below investment grade, from Standard & Poor's and Moody's Investors Service, the two leading credit rating agencies.

The largest tranche, $900m of eight-year debt, was priced at 147 basis points, or nearly 1.5 percentage points, above 10-year Treasuries and the spread narrowed about 12 basis points as trading began yesterday morning. Donaldson, Lufkin & Jenrette, the US investment bank, was the lead underwriter.

One factor behind the large amount of junk debt issued last year was the surge in merger and acquisition activity, which created strong demand for new capital and led to a wave of refinancing.

About $67bn worth of high-yield debt was issued last year, just below the record $68bn in 1993, according to S&P, and about $4bn in junk debt was priced in the first three weeks of this year.

Another driving force behind the flood of new junk debt is strong demand from investors. According to Ms Diane Vazza, head of fixed-income research at S&P, the average yield on debt one step below investment grade came in nearly a full percentage point in relation to Treasuries over the course of the year.

Mr Bennett Goodman, managing director of DLJ's high-yield bond department, said investors are generally more comfortable with sub-investment grade debt than they were in the early 1990s.

The large issuance and low yield levels have led to worries that a market correction is imminent. "We think the market represents good value, but it is a time when you want to be careful," said Ms Joan Batchelder, head of the high yield department at Massachusetts Financial Services.

Overall, the credit quality of issuers is much stronger than it was during the 1980s, when Mr Michael Milken of Drexel Burnham Lambert dominated the market. In the late 1980s, the debt averaged 8-10 times cash flow, whereas that ratio is now down to 4-7 times cash flow.

The number of defaults has also dropped sharply, according to S&P research. Last year, 14 issuers defaulted on $3.6bn worth of debt, less than half the rate seen in 1995 and well below the record 65 defaults on $20bn in 1991.

Ms Vazza, of S&P, said there was little doubt that the rate of defaults would rise, but a market collapse was unlikely. The conditions that led to the junk bond market crash in the early 1990s – including an illiquid market, the collapse of Drexel and global recession – are not present, she said.

Japan's banks near danger zone as 'Big Bang' looms

Moody's downgrading of ratings outlooks confirms the problems faced by the sector as it prepares for planned deregulation

Japan's banks are heading towards the March 31 business year-end with their assets eroded by the stock market's recent plunges, their mountain of bad loans little diminished and prospects of stiff competition looming in the government's planned "Big Bang" deregulation package.

The news that Moody's, the international credit rating agency, on Monday downgraded its ratings outlook for four of Japan's top 20 banks from "stable" to "negative", further shook investor confidence.

A sell-off of bank shares led yesterday's rout on the Tokyo stock market. Bank shares, which account for about one-sixth of total market capitalisation, fell nearly 5 per cent as a sector.

Last year, banks' share prices fell 44 per cent. Since the beginning of this year, they have slid a further 10.5 per cent.

Some are performing better than others, but all have suffered from growing fears about their inability to meet the competition that will be ushered in by sweeping reforms.

Are Japan's banks in crisis, as some observers warn? All the figures, including the bad debt burdens, the erosion of unrealised gains on equity portfolios and their dwindling lending business, suggest trouble.

Under the broadest definition, however, banks are in crisis when they are unable to obtain funds at any price, when their losses have eaten through their capital position, and when they can no longer meet the 8 per cent minimum capital adequacy ratios set by the Bank for International Settlements, notes Mr Brian Waterhouse, banking analyst at HSBC James Capel.

"In a crisis, banks would also have to go, cap in hand, to the central bank for help," he says.

For the year to March 31, the stronger banks, such as Tokyo-Mitsubishi, will show a relatively high level of core earnings.

Even so, declared profits will be much lower than earlier forecasts, notes Mr Waterhouse, who forecast the recent downward revision by Mitsubishi Trust and Banking for 1996 net profit, from Y130bn to Y85bn ($715.4m), owing to write-offs of collateral.

There is more to come, with net profits for the top 20 banks likely to come in below Y540bn as against earlier projections of Y2,000bn, according to HSBC estimates.

None of Japan's top 20 banks are in crisis, but several are heading into the danger zone, as suggested by Moody's.

The four banks downgraded by the agency are among the weaker of the top 20, but their problems are familiar nightmares for all Japanese banks.

So, too, are the growing doubts among investors about the government's willingness to continue guaranteeing the safety of the 20 biggest banks once its plan to deregulate the financial sector is in place.

In the past, official willingness – Moody's calls it "forbearance and protection" – to cushion the banks has been one of the main attractions for investors. That cushion is growing thinner by the day.

The government's ambitious plan to deregulate the financial sector and remove barriers between previously highly protected fields of the banking business calls for greater market discipline and more transparent accounting policies.

"Consequently, the implicit regulatory support for Japanese financial institutions will likely decrease, and associated credit risk will increase over the medium term," Moody's said.

Deregulation always implies a squeeze on profit margins as competition intensifies. Mr Jesper Koll, of J.P. Morgan, points to the steady dismantling of cross-shareholdings among Japanese institutional and corporate investors in the past three years and to the resulting weakening of the cosy system in which banks retain long-term shareholdings in corporations in exchange for some control over the company's management.

The implication, Mr Koll says, is that corporations are increasingly bypassing the "main bank" system and turning to deregulated financial markets for funds.

In 1995 and 1996, securitisation was the principal source of corporate funding, for the first time outpacing straight borrowing. "Just as in the US about a decade ago, the traditional role of banks in financial intermediation is becoming somewhat obsolete," Mr Koll says.

"The problem is, however, that Japan's banks have shown no progress in developing new profit centres," he adds.

The drop of 96 per cent in the bond-trading profits of Japan's 10 city banks in the first half of the business year indicate little improvement in banks' management of assets and liabilities.

Japanese banks are already encountering more difficulty obtaining funds overseas, and Moody's downgrading is likely to increase further the "Japan premium" – the additional charge imposed on Japanese banks borrowing in the international inter-bank market.

Adding to the banking industry's woes is the spectre of more corporate bankruptcies, already approaching the record levels of 1995.

The plunging stock market is exacerbating the strain on already troubled companies, particularly those in the non-bank sector of independent lenders. This, in turn, puts further strain on the main creditors – the banks.

The bad debt held by Japanese banks is believed to be about double the official figure of Y19,935bn. At nearly Y40,000bn, non-performing loans would amount to more than 10 per cent of the aggregate loan portfolios of the leading banks.

Several factors could tip the banks into crisis, analysts say, including the continuing decline of the stock market, which would wipe out the banks' latent profits on their equity portfolios.

Interest rates, which are at rock bottom, remain a wild card. "They can't remain low forever, and if they begin to rise, that's a different picture altogether," one analyst says.

Deregulation, though it will ultimately reward the winners, will weigh heavily on the weaker banks. Too much deregulation too soon – before banks have resolved their bad-loan mess – would be "simply disastrous", according to HSBC James Capel's Mr Waterhouse.

Japan's top banks rely far more than their international counterparts on unrealised gains on their equity holdings to bolster their financial position and meet minimum capital adequacy requirements.

The stock market's sharp decline of nearly 11 per cent since the beginning of the year has wiped out more than half the latent profits at the top 20 banks since the last official reporting period in September.

In the current circumstances the most serious consequence for the banks will be a significant delay in clearing up their bad-debt problem. That delay, in turn, could slow the government's pace of reform.

So the banks must decide early next month on how to close their 1996-97 books.

Given the bleak outlook for Tokyo stock market, this may mean selling off domestic and foreign bond holdings to compensate for stock losses and, if things get worse, selling off some of their equity holdings.

Such sell-offs, however, would leave the banks dangerously exposed to further stock market declines.

In the short-term, the critical date is March 31, valuation and reporting day. Banks that fail to meet the BIS ratio can expect to see their risk profile soar, and a further increase in the cost of raising funds overseas.

Gwen Robinson

ASIA-PACIFIC NEWS DIGEST

Malayan bank advances 39%

Malayan Banking (Maybank), Malaysia's biggest banking group, announced a rise in interim net profit of 39 per cent for the six months to December 31 1996. The company put the gains down to greater productivity, wider interest margins and an increase in loans.

The group reported net profits of M$654.57m (US$161.45) for the six months. The 39 per cent increase exceeded the forecasts of analysts who had expected the company to announce net profits of around M$600m.

Pre-tax profit was M$1.064bn, an increase of 36 per cent from the same period a year earlier. Earnings per share were 57.2 cents, up from 41.1 cents. Maybank maintained its loan growth at 17 per cent, while deposit growth declined to 17 per cent, from 28 per cent in the corresponding period in 1995.

Mr Amirsham Aziz, managing director, said the sale of Maybank's subsidiary, Kwong Yik Bank, during the period would not have an adverse affect on group earnings in the second half of the accounting year.

James Kynge, Singapore

Lippo in HK$697m sell-off

Lippo, the listed holding for the Hong Kong business empire of Mr Mochtar Riady, the Indonesian tycoon, has sold off HK$697m (US$90m) of property development projects in China to two Hong Kong-listed companies, one of them a Lippo subsidiary.

China Travel Service is to pay HK$370m for a vehicle which has stakes in China Travel Lippo Development (Hong Kong), which indirectly participates in a China property development project. China Travel Service is the controlling shareholder of China Travel International, the Hong Kong-listed travel, tourism and investment group.

China Travel International earlier this month raised HK$2.5bn through a share placement, sparking speculation it was about to embark on a spending spree which could entail purchasing assets from the parent company.

Hongkong China, Lippo's 72 per cent owned property investment and development arm, acquired HK$326.8m of stakes in a commercial property and a metro development.

The disposals follow a restructuring of shareholdings at Indonesia's Lippo Group. *Louise Lucas, Hong Kong*

Coastal powers Indian plant

Indian Aluminium (Indal), the country's third-largest aluminium group, which is 35 per cent owned by Alcan of Canada, has signed a power purchase agreement with Coastal Power of the US.

Coastal Power is to build a 100MW plant at Belgaum in the south Indian state of Karnataka. The Rs3.5bn ($97.77m) project has received most of the necessary clearances from federal and state governments. The plant will be working by the middle of 1998.

Indal's 40,000-tonne-a-year smelter at Belgaum is idle because government-owned utilities are failing to supply power. The company plans to invest nearly Rs5.5bn in expanding the capacity of the Belgaum smelter and alumina plant once the power unit becomes operational.

Indal's 30,000-tonne-a-year smelter in Orissa, backed by a captive power plant and scrap recycling factory in Maharashtra, is working well. However, the smelter at Alupuram remains a victim of an acute power crisis in the southern state of Kerala. *Kunal Bose, Calcutta*

Dutch banks lend to Piltel

Three Dutch financial institutions said yesterday they expected to sign a $110m loan agreement for Pilipino Telephone Corporation (Piltel), the Philippine's leading cellular telecommunications group, by end March.

The three are ING Bank, ABN Amro Bank and the Netherlands Development Finance Corporation. Piltel, a subsidiary of the former state-owned Philippine Long Distance Telephone Company, will use the syndicated term loan facility to build a fixed telephone network of over 400,000 lines in the southern island of Mindanao. The total cost of the project is $350m. Piltel has 46 per cent of the Philippines' cellular market.

Foreign companies have been largely deterred from investing in Mindanao which has no infrastructure and where sporadic fighting with armed insurgent groups continues. Efforts to develop the region moved a step forward last year with the peace deal signed with the MNLF, the country's largest Muslim separatist group after 24 years of fighting. *Justin Marozzi, Manila*

Kyocera cuts profit forecast

Kyocera, the Japanese ceramics and electronics conglomerate, has cut the pre-tax profit forecast for the holding company for the year to March 1997 from Y103bn forecast earlier, to Y96.5bn ($812m). Revenue is now seen at Y520bn, down from Y536bn forecast earlier, with net profit seen at Y48bn, down from an estimated Y51bn.

Kyocera blamed the downgrade on weak demand for mobile telephones in the wake of changes in sales promotion activities of telecom carriers. Kyocera said the telecom sector was expected to see continued buoyant growth. *AFX Asia, Tokyo*

Nortel shares slip despite profit advance

By Bernard Simon in Toronto

Northern Telecom, the Toronto-based telecoms equipment supplier, ended 1996 on a strong note, with earnings up 26 per cent and record order inflows.

However, investors were unimpressed. Nortel's shares, which have surged in the past month, dipped 88 cents to $68.38 in early trading in New York yesterday.

Separately, Nortel will announce today that it is exercising an option to acquire a 20 per cent stake in Telrad, the telecoms arm of Koor Industries, the Israeli industrial group.

The deal, valued at about $40m, will enable both companies to gain toeholds in new markets.

Nortel's earnings climbed to US$623m, or $2.40 a share, in 1996 from $473m, or $1.85, the previous year.

Revenues rose 20 per cent to $12.9bn.

Fourth-quarter earnings advanced to $319m, or $1.23, from $250m, or 98 cents, a year earlier. Order inflows reached $5.27bn, up 41 per cent.

Mr Jean Monty, chief executive, said Nortel's balance sheet has also improved markedly, with about $750m in cash on hand, and a customer financing reserve totalling $65m.

Mr Monty predicted another strong year ahead, with earnings rising by at least 15 per cent.

The latest earnings roughly matched analysts' forecasts.

But one analyst said the recent run-up in Nortel shares reflected hopes that the company might exceed expectations.

The share price was also hit by signs of softening demand for switching equipment, whose contribution to total sales fell to 35 per cent last year from 40 per cent in 1995, including a slight drop in fourth-quarter revenues.

According to the analyst, legal wrangling over telecoms deregulation in the US has led some phone companies to delay orders for central office switches.

Wireless and broadband networks have emerged as the mainsprings of growth at Nortel.

The relatively new wireless business now makes up almost one-fifth of revenues, with a 60 per cent jump in sales last year.

RPR predicts 7% sales rise

By Daniel Green

Rhône-Poulenc Rorer, the US pharmaceuticals company controlled by Rhône-Poulenc, the French chemicals company, said yesterday its sales would rise by more than 7 per cent this year.

This would be in line with market growth, but an improvement on the company's sales growth last year. In 1996 sales were $5.4bn, compared with $5.3bn in 1995. Excluding disposals and currency factors, 1996 sales were 6 per cent higher than in 1995.

In 1996, RPR's earnings per share and net profits both rose 25 per cent: earings per share from $2.53 to $3.16, and net profits from $341.6m to $428.7m.

The sharp rise in profitability was largely the result of cost savings after RPR took over Fisons of the UK in 1995. Mr Michel de Rosen, chairman, said that those savings were worth $150m in 1996 and would be worth $300m in 1997.

Profits would have been higher but for the costs of a product recall at Centeon LCC, its joint venture with Hoechst of Germany.

RPR shed 2,800 employees in 1996, which was about 10 per cent of the workforce.

Some of those left through businesses being sold.

Proceeds from disposals were more than $850m, compared with a previously stated target of $750m.

That allowed the company to reduce its net debt from almost $3bn at the end of 1995, to $2.38bn at the end of 1996.

Leading the sales growth was heart drug Lovenox, with sales of $401m, compared with $303m in 1995.

RPR is unusual among large drugs companies in having its sales spread evenly through scores of products. Lovenox is its first product to achieve sales of $400m in a year.

Mr de Rosen said that another of the company's recent launches, cancer drug Taxotere, had 1996 sales of $89m. It was launched in most markets only in the second quarter of 1996.

Geographically, RPR did best in the US, where sales grew 13 per cent, faster than US drug sales as a whole. The slowest growth of 1.5 per cent was in France, roughly in line with the market there.

Mr de Rosen said RPR did not intend to make large acquisitions during 1997. "We are farming, not hunting," he said.

TCI chief vows to act to lift shares

By Raymond Snoddy

Mr John Malone, chief executive of Telecommunications Inc (TCI), the largest cable company in the US, has taken urgent remedial action. If that does not succeed in rescuing the share price, he will buy back "a lot" of the company's stock.

TCI took action after disappointing third quarter results.

Profits were hurt by investments in future software systems. Another damper was the loss of 70,000 cable suscribers. Money raised by spinning off Primestar, the company's satellite system, was not included in the third quarter results.

Mr Malone cut 2,500 jobs, reduced executive salaries by between 5 to 20 per cent and "slammed the brakes on" a capital investment programme for a period of reassessment. This was in large part aimed at keeping TCI's investment bond rating.

Within the next two months, the TCI chief executive will announce his new strategy for up-grading the company's cable networks for digital and data communication.

In an interview last week, Mr Malone said he believed his new flexible strategy, using a mixture of old and new technologies, would be cost-effective.

"If the plans are successful and we really start to generate the kind of cash that we are capable of generating, either the stock is going to go up or we are going to buy a lot of it back," he said.

Mr Malone recalled that in the early 1970s the company bought back almost 45 per cent of its stock "because the equity market didn't believe what we believed".

TCI could also add to shareholder value by continuing to create new businesses and floating them off separately, he said.

Mr Malone is concerned that Telecommunications International (Tinta), the company's international arm, is priced too cheaply.

Tinta includes the controlling interest in Flextech, the cable and satellite programmer in the UK, a stake in Telewest, the second largest cable operator in the UK, and programming and cable distribution companies in Japan, Argentina and Chile.

"If you add (TCI's stakes in) Telewest and Flextech together, you have got the whole market capitalisation of Tinta. So Tinta is awfully cheap and we probably would do something about that," said Mr Malone.

Depending on tax rulings by the Internal Revenue Service, the "something" is likely to be spinning off Tinta, 82 per cent of which is owned by TCI.

Wallenberg lieutenant to head Volvo

By Greg McIvor in Stockholm

Volvo has broken with tradition. For years it has been the main industrial counterweight to Sweden's Wallenberg empire. But yesterday it appointed its first chief executive from the orbit of Europe's most powerful corporate dynasty.

There is no doubting Mr Leif Johansson's qualifications. At Electrolux, one of a sheaf of top Wallenberg companies, he carved out a reputation as one of the family's brightest young lieutenants.

But the question exercising observers in Stockholm yesterday was to what extent his appointment would extend Wallenberg influence over Volvo, Sweden's largest non-Wallenberg company.

Mr Johansson emphasised that he intended to preserve a close relationship with the Wallenberg sphere. His arrival means a trio of Wallenberg allies will now sit on the Volvo board – Mr Johansson, Mr Bert-Olof Svanholm, Volvo chairman, and Mr Björn Svedberg, chief executive of Skandinaviska Enskilda Banken, the Wallenberg-controlled bank.

However, Mr Johansson announced he was quitting the board of Scania, the Swedish truckmaker controlled by Investor, the main Wallenberg holding company. Scania is a close competitor to Volvo in truck production.

Mr Svanholm, a former head of the Swedish half of ABB, the Swedish-Swiss electrical engineering group in which the Wallenbergs are significant shareholders, yesterday attempted to play down the Wallenberg incursion at Volvo.

Two-thirds of Swedish industry was run by Wallenberg companies, making it impossible for outside corporations not to recruit from them, he said.

The Wallenbergs directly or indirectly control about 40 per cent of the Stockholm bourse, including such companies as Atlas Copco; Astra, the pharmaceuticals group; SKF, the ball-bearing maker; Stora, the forestry group; and Ericsson, the telecommunications group.

Mr Pehr Gyllenhammar, Volvo's former chairman, sought to offset this concentration of power by positioning Volvo as a rival force to the Wallenbergs in the 1970s and 1980s.

That process led to the expansion of Volvo beyond the automotive sector into a phalanx of different businesses, ranging from mineral water to pharmaceuticals.

When Mr Gyllenhammar resigned amid the wreckage of Volvo's abortive merger with Renault in 1993, Mr Gyll implemented a SKr40bn ($5.6bn) programme of non-core disposals – a process which is nearing completion.

In pure ownership terms, the Wallenberg influence over Volvo remains modest. SE-Banken is Volvo's fifth biggest shareholder, with a 4.8 per cent voting stake through its saving funds.

Mr Karl-Johan Bonnevier, of Kleinwort Benson in London, said Mr Johansson's appointment underlined that "the Gyllenhammar era, when Volvo tried to be one of the two power blocs of Swedish industry, is definitely over".

Small player exposes its vulnerability

Yesterday's slight rise in Volvo's share price was a telling comment from the market on the company's position in the motor industry.

By marking up the stock after the departure of Mr Sören Gyll, the group chief executive who had made a principle of maintaining Volvo as an independent carmaker, dealers were pricing some restructuring potential into the stock.

The reaction may have been ironic, in view of Volvo's strategy of raising cash through disposals to concentrate on its automotive operations. But it was also a recognition of the fact that, for many, Volvo remains the most vulnerable of Europe's car companies after the collapse of its planned merger with Renault in 1993.

"Sören Gyll is the individual associated with the independence of Volvo as a car company", said Mr John Lawson, motor industry analyst at Salomon Brothers, in London. "The change in personnel could lead to a more open-minded approach."

Volvo has two distinct sides as a vehicles group. In cars, it suffers from a narrow product range, low volumes and a distinctly regional production base.

Its reputation is built on its big saloons and, to a lesser extent, its mid-sized models. But while those have generated profits in the past, it is increasingly uncertain that such a narrow product range is enough to remain competitive.

BMW, Mercedes-Benz and Audi, Volvo's three bigger rivals, are all investing heavily to diversify into smaller vehicles.

They argue a broader range is essential for economies of scale. Many analysts believe a carmaker needs to build at least 1m units a year to remain competitive. By contrast, Volvo's growth plans envisage an appreciably more modest rise in output from about 350,000 cars last year to 500,000 by the turn of the century.

Volvo is also at a disadvantage geographically. Some 60 per cent of production is in Sweden, where the company generates only 10 per cent of its sales.

All its factories are in high-cost Europe. Volvo builds cars in Sweden and Belgium, with additional output through the NedCar joint venture in the Netherlands with Japan's Mitsubishi and the government in The Hague.

While BMW, Mercedes-Benz and Audi face similar cost disadvantages, all three have been moving to reduce their cost base and broaden their geographical coverage by establishing factories in cheaper locations. Volvo, by contrast, has lacked the resources for such a step.

The vulnerability of Volvo as a relatively small player was illustrated in the third quarter of 1996, when operating profits were almost erased by poor returns from its car division, where the operating margin was only 1.9 per cent – an unsustainable figure in the long run.

In spite of also reporting losses in its US truck operations, the overall picture in commercial vehicles is more positive than in cars. The company is the world's second biggest maker of heavy trucks after Mercedes-Benz and is also a significant force in buses. It has an enviable reputation for its products, with the FH heavy truck being one of the best-selling vehicles in its field. The business is also well balanced geographically although it has run into difficulties recently in the US and South America.

Volvo's response to its imbalance has been to invest heavily in cars to broaden its range and raise output. The company has steered clear of moving in to small cars.

Instead it is seeking to refine its coverage and add niche vehicles to its line-up. Last year, it launched the S40 and V40, saloon and estate cars which are the first fruits of the NedCar joint venture. They have been followed this year with the C70 – a coupe and convertible – and a revised version of the best-selling 850 saloon and estate car range, dubbed the S70 and V70.

What remains to be seen is whether these and other planned new models will provide the extra volume required. Most analysts have been willing to give Mr Gyll the benefit of the doubt, cushioned by Volvo's SKr15bn ($2.08bn) cash pile.

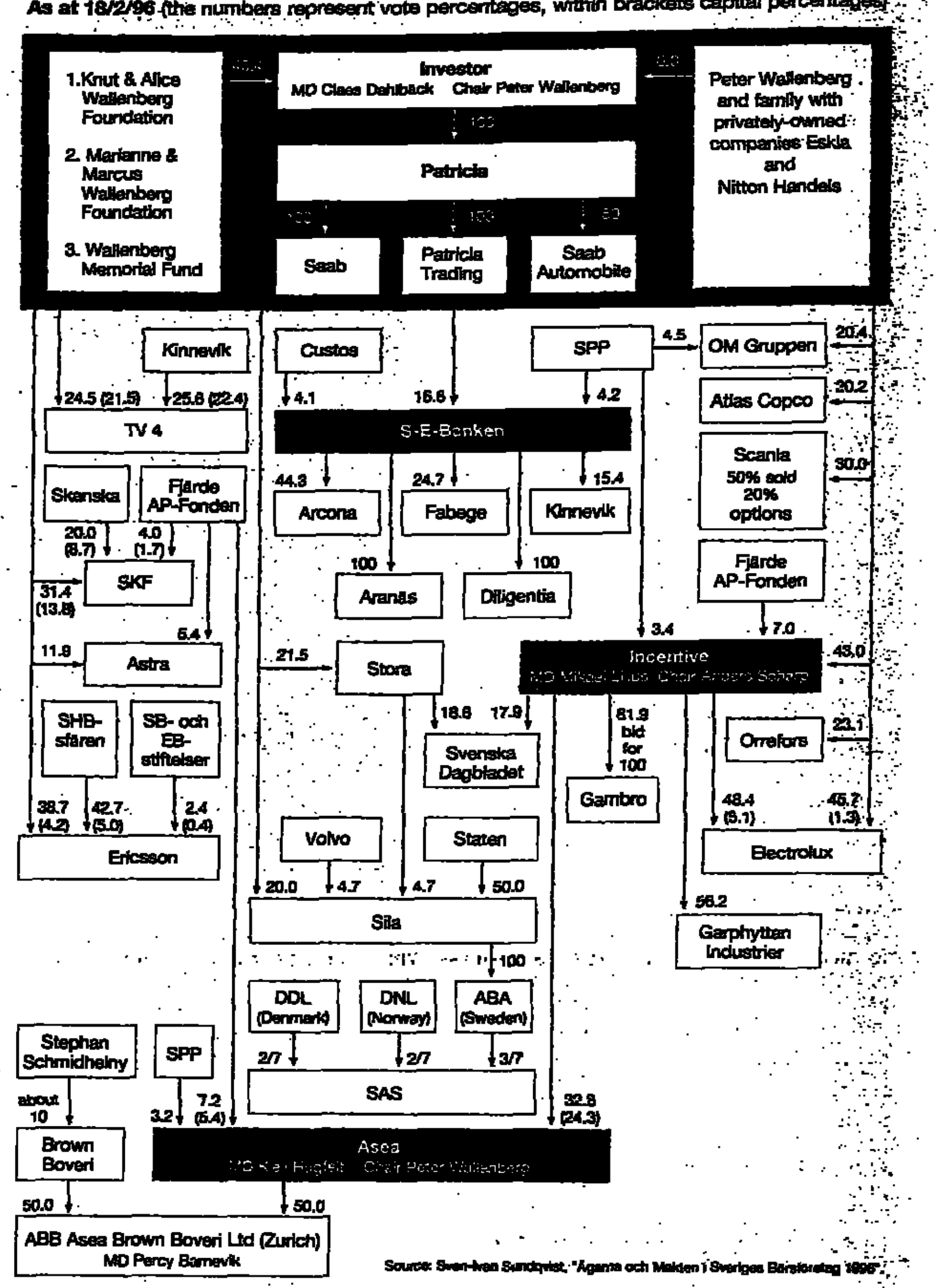
No rapid shift in Volvo's strategy is likely in the immediate aftermath of the appointment of Mr Leif Johansson as Mr Gyll's successor because, as a motor industry novice, he will want to acquaint himself more closely with the business in the initial stages.

But he will be keenly aware of the need to boost Volvo's international competitiveness. It will be up to the new products to prove whether Volvo really does have a long-term future as an independent carmaker. If not, and possibly with Mr Johansson's blessing, there is always Mitsubishi waiting in the wings.

Haig Simonian and Greg McIvor

The Wallenberg empire: astride Sweden

As at 18/2/96 (the numbers represent vote percentages, within brackets capital percentages)



Source: Sven-Ivan Sundqvist, "Ägarna och Makten i Sveriges Börsföretag 1996".

COMPANIES AND FINANCE: UK

Clyde claims Gulf bid falls £103m short

By Jane Martinson

Clyde Petroleum, the UK oil independent, is today expected to argue that it is worth about 130p a share, or £103m ($172m) more than the £432m offered by Gulf Canada Resources in its hostile takeover bid.

The valuation – to be published in Clyde's final defence document – compares with a share price of 84.5p when the Canadian oil and gas group announced its bid in December.

Clyde, using a report commissioned from Energy Resource Consultants, is set to argue that new information on production and reserves has added to its value.

Clyde's shares eased to 118¾p yesterday, having been consistently higher than the 105p a share offer price since the bid was launched.

Several analysts said that the ERC report would give Clyde a "core asset value" of "somewhere north of 100p" to match the bid. The rest of the valuation is expected to be made up of a "reinvestment premium". This relates to Clyde's view that a combination of the business as a going concern and its track record should be taken into account in any valuation.

Mr Malcolm Gourlay, Clyde's chairman, said: "Clyde is not in liquidation. It is a thriving business. The market knows that a successful business sells for more than just the value of its inventory."

Some analysts believe that Gulf will be forced to raise its offer to win the battle, with the most likely price between 115p and 125p.

One large institutional investor said yesterday that Clyde had already convinced it and the market that 105p was not high enough.

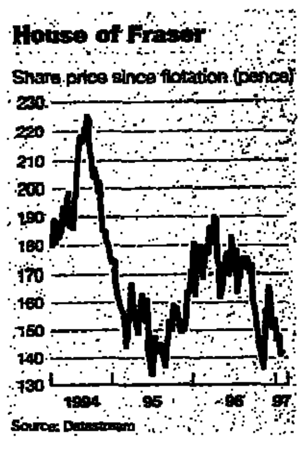
Gulf, which has not yet met any of the four large shareholders which own almost half of Clyde, has another week to increase its offer.

However, Mr Dick Auchinleck, senior vice president, repeated yesterday that 105p was already at a premium to what it saw as a net asset value. "We did not expect to come into town and steal this but we are not going to pay an unrealistic price either." Before the bid was launched analysts used net asset values of between 75p and 88p.

Clyde will also produce its 1996 results and new cash flow multiples today.

HoF to shed 1,000 jobs in restructuring

By Peggy Hollinger



House of Fraser is cutting more than 1,000 jobs in a wide-ranging restructuring which is expected to provide initial cost savings of about £10m ($16m) a year and result in the sale or closure of three department stores.

Mr John Coleman, chief executive, unveiled the restructuring yesterday in an unexpectedly upbeat Christmas trading statement. The group reported a 6.1 per cent increase in comparable sales from existing stores for the 26 weeks to January 25.

"It is nice occasionally to say that not everything in House of Fraser is bad," said Mr Coleman, who was appointed following institutional pressure for a management shake-up in April. "And I do not think a 6 per cent increase is bad at all." Sales in the immediate run-up to Christmas had shown like-for-like increases similar to that achieved for the 26 weeks, he said.

There was some relief in the market that House of Fraser, which has disappointed consistently since its ill-starred flotation in 1994, had not suffered a decline in December trading. The group had increased gross margins by 0.2 percentage points in the period, although analysts questioned whether this had been enhanced by the use of provisions.

"People feared they would have to downgrade profit forecasts," said one analyst. Instead, forecasts for the year were left at about £14.5m before exceptional charges, against last year's £14m.

The statement also set out details of Mr Coleman's recovery plan for House of Fraser, which will cost the group £49m in exceptional charges this year.

The job losses – equal to about 11 per cent of the 9,000-strong workforce – are expected to cost £12m-£15m in exceptionals and will affect all the group's 48 stores, mainly at managerial level. It does not include the 300 employees in the stores targeted for disposal.

The group is taking a further £22m-£25m charge to clear old stock bought under previous management.

The group expects to take a £7m-£9m write-down on the assets in the annual results to be announced in April.

Geest gives Fyffes a boost

Neil McCann (left), group chairman, and John Ellis

By David Blackwell

A contribution of more than I£5m ($8.2m) from the Geest banana business was the driving force behind a 23 per cent increase in underlying profits at Fyffes, the Dublin-based fruit and vegetable distributor.

Fyffes bought Geest's banana business at the start of this year for £147.5m in a joint venture with Windward Island Banana Development and Export. The group now relies on bananas for about 30 per cent of turnover.

Mr John Ellis, chairman of Fyffes UK, said Geest had performed well since the divestment of its Costa Rica plantations, enabling it to return to its core business. It was continuing to upgrade its assets.

Fyffes spent I£30m on 50-50 joint venture acquisitions last year, with Geest taking up I£20m of the total investment. Operating profits for the year to October 31 rose from I£38.3m to I£47.1m on sales up from I£1.19bn to £1.43bn.

Pre-tax profits were 11 per cent higher at I£46.6m (I£42m) after charging I£1.9m of goodwill on the Geest deal, to be amortised over 20 years.

Fyffes' shares rose 5p to 115p on the figures, which were better than expected.

Operating profits in Ireland and the UK grew 15 per cent to I£28.1m, while continental European profits jumped 36 per cent to I£20m. The US business, which the group withdrew from in September, incurred losses of I£1m on I£32m turnover.

Mr Ellis said the supermarket price war of late 1995 had passed into history, and prices were now about double the November 1995 low of 19p a lb.

Hanson to unveil Energy plans

By Tim Burt

Hanson is expected today to mark the final phase of its four-way demerger by outlining ambitious expansion plans for Energy Group, its coal and power arm, and better-than-expected trading figures from its remaining building materials operations.

Listing particulars for Energy Group – comprising Eastern Group, the UK utility company, and US coal producer Peabody – will emphasise a "more global" strategic direction. The document, due to be published today, is likely to show that Energy Group's directors are concentrating on acquisition and investment opportunities in North America and south-east Asia.

Company officials say the particulars will show Energy Group can rely on "some pretty robust financial figures" to fund its expansion.

For the 12 months to last September the company reported pre-tax profits of £446m ($744.8m) on turnover of £3.76bn, and boasted net assets of some £6.8bn.

Shareholders in "new Hanson", meanwhile, will tomorrow receive a circular showing – for the first time – a detailed three-year breakdown of the financial performance of its aggregates, bricks, cranes and electrical equipment interests.

Hanson insiders say they will demonstrate improved trading by those businesses, "although analysts will begin to realise that there is a lot to be improved upon".

In the short term, that effort is expected to focus on removing management duplication in the US.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Cavaghan & Gray	6 mths to Sept 30	66.3	(25.5)	1.02♠	(1.13L)	1†	(6.5L)	1	Apr 7	0.5	-	4.2
Corp Executive φ	6 mths to Sept 30	1.34	(0.806)	0.095♠	(0.131)	0.05	(0.07)	-	-	-	-	-
Dawn Til Dusk φ	29 wks to Oct 18	16.4	(12.1)	0.251	(0.246♥)	7.6	(7.4)	-	-	-	-	-
Filtronic Comtek	6 mths to Nov 30	17.1	(15.2)	0.015	(2.01)	nil	(3.25)	0.25	Apr 1	0.75	-	1
Fyffes ♣	Yr to Oct 31	1,429	(1,188)	46.6♠	(42♥)	8.09	(7.91)	1.3145	Apr 21	1.195	1.8341	1.667
Haynes Publishing	6 mths to Nov 30	13.3	(13.1)	2.24	(2.2)	8.3	(8.3)	5	Apr 30	4.5	-	10.3
London Scottish	Yr to Oct 29	-	(-)	9.41	(8.04)	5.7	(4.8*)	2.1	Mar 13	1.775*	2.95	2.5*
Masthead Ins	Yr to Dec 31	2.66§§	(2.68§§)	2.24	(2.16)	3.67	(3.4)	1	March 4	1.6	2.7	3.2
Perdum Foods φ	6 mths to Nov 30 ●	1.17	(0.476)	0.06	(0.053L)	0.03	(-)	-	-	-	-	-
Prime People	Yr to Dec 31 #	3.56	(2.23)	0.126	(0.684L♠)	0.35	(1.35L)	-	-	-	-	-
Property Tst (PVT)	6 mths to Sept 30	1.87	(1.14)	0.519	(0.271)	1.2	(1.4)	-	-	-	-	-
Wyko	6 mths to Oct 31	54.5	(41.8)	3.63	(2.03)	4.44†	(2.62)	1.4	Apr 11	1	-	2.25

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Derby	Yr to Dec 31	599	(519)	2.72	(2.15)	23.0483	(18.2049)	13.952	Feb 28	10.7232	25.7322	19.3278
Finsbury Tech	54 wks to Nov 30	107.4	(97)	0.329L	(-)	1.2L	(-)	-	-	-	-	-
Investors Capital	3 mths to Dec 31	-	(-)	-	(-)	-	(-)	1.35	Mar 10	1.325	-	5.4
Scottish National	3 mths to Dec 31	88.3	(80.4◆)	3.05	(3.03)	1.91	(1.9)	1.8	Apr 7	1.7	-	8.6

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. φAim stock. ♣Irish currency. *Equivalent after adjusting for scrip issue. §§Investment income. ●Comparatives for 11½ months. #Comparatives for 14 months. ◆At September 30.

MBO at British Steel arm

By Stefan Wagstyl

British Steel is selling its British Steel Forgings operations for £74.5m ($124.4m) to a management buy-out backed by Prudential Venture Managers.

It is selling the business to concentrate on its core steelmaking activities.

BSF, put up for sale in August, is the UK's biggest forgings company with 50 per cent of the market. It had £10m operating profits on £157m sales in the year to March. It was originally part of UES Holdings, a joint venture formed in 1986 by British Steel and GKN.

BSF, which has its headquarters in Bromsgrove, employs 2,100 at six sites in the Midlands, Sheffield and Ayr, making products for the motor, aerospace and industrial cylinder markets.

The business is being acquired by a newly-formed company called United Engineering Forgings, with Mr Bob Bates as chief executive. Mr Bates, 51, a former divisional managing director at T&N, the diversified motor parts group, will be joined on the board by Mr Alistair Mackintosh and Mr Ian Pain, of Prudential Venture Managers. Total finance for the acquisition will be £92m, including debt and working capital.

Prudential Venture Managers said it would probably be eventually floated.

US order delay hurts Filtronic

By Motoko Rich

Delays in US orders caused pre-tax profits at Filtronic Comtek to plunge from £2m to £15,000 ($25,050) in the six months to November 30 and the telecommunications components group cut its dividend from 0.75p to 0.25p.

However, the overall figures masked a dramatic swing between quarters. US demand for the company's mobile telecommunications components revived in the second quarter, reversing a £1.8m loss in the first quarter into a £1.8m profit.

The shares, which fell to 305p yesterday, recovered to close up 1p at 335p.

The group announced the appointment of Mr Greg Hey-Shipton, formerly vice president of Superconductor Technologies of the US, as chief executive. The move allows Professor David Rhodes, executive chairman, to concentrate on strategy.

Mr Rhodes said the group had "geared up for a big increase in US business last January" but orders had been delayed by nine months as its customers experienced technical troubles in developing code division multiple access (CDMA) systems, a US version of digital mobile phones.

Mr Rhodes said the group now had nearly £20m in orders, compared with a normal order book of £8m. It has re-opened a factory in New Hampshire.

Ingersoll-Rand throws down gauntlet to FKI

By Tim Burt

Senior executives at Ingersoll-Rand, the US industrial equipment manufacturer, were yesterday confident that their £230m ($384.1m) cash offer would win the battle for Newman Tonks.

"We believe this business is worth more to us than FKI," its rival bider, said Mr Brian Jellison, vice president of Ingersoll-Rand.

FKI is expected shortly to announce whether it will raise its £189m hostile bid.

Given Ingersoll's £2.9bn net assets and strong balance sheet, the US group also indicated it had "pockets deep enough" to respond to an increased bid from the diversified engineering group.

It underlined its commitment to Newman Tonks yesterday by acquiring 4.9m shares at 179.4p apiece – representing almost 4 per cent of the company.

Ingersoll's intervention – priced at 175p a share, excluding a 4.4p final dividend – was welcomed by several of Newman Tonks' institutional shareholders, most of whom admitted it represented a good exit value for a company which was trading at 102½p before FKI announced its interest.

Although FKI had secured acceptances for its initial offer from investors holding more than 20 per cent of Newman Tonks, notably M&G with more than 11 per cent, most fund managers and industry analysts predicted it would walk away.

Having described its opening 148.4p a share offer as "full and fair," several analysts said the group would have difficulty trumping Ingersoll's 21 per cent higher bid.

Although FKI could probably afford to increase its offer, the arithmetic involved in dealing a knockout blow to Ingersoll, whose offer represents an exit multiple of 21.2 times 1996 earnings, could prove prohibitive. "To outbid Ingersoll would raise severe questions over whether the deal would still be earnings enhancing," said one analyst.

Another said: "Most of us have decided they will not be prepared to pay up for it. But having got this far, some companies still want to carry on."

Its advisers at ING Barings and NM Rothschild were poring over information supplied by Newman Tonks, which under the Takeover Code had to make information supplied to Ingersoll available to the other side.

If FKI remained in the fray, some observers said the likely cost of capital would probably outweigh the return. "FKI was bringing management skills more than industrial synergy to this deal," said one fund manager. "The company has proved in the past that it will not overpay for underperforming companies, and we like it that way."

INTERNATIONAL CAPITAL MARKETS

Scottish Power deal to help refinance debt

INTERNATIONAL BONDS

By Samer Iskandar

Scottish Power, the UK's largest multi-utility company in the electricity and water sectors, yesterday issued its first eurobond.

The £200m in proceeds will be used to refinance part of the £1.5bn of bank debt related to the company's acquisition of Southern Water and Manweb.

HSBC Markets, the lead manager, said the borrower wanted to lock-in debt at an attractive cost. Scottish Power also swapped a large part of its remaining bank debt from variable-rate to fixed-rate liabilities.

This move was mainly motivated by two factors: the risk of a rise in interest rates and the fact that long-term yield spreads over gilts are unusually low.

Syndicate officials from other banks said the deal was "fairly priced", but some pointed out that the use of a benchmark with a different maturity distorted the true value of the spread.

The announced spread over gilts maturing in 2015 was 63 basis points, which equated to around 58 basis points against gilts maturing in 2017. Bonds with such long maturities typically appeal to investors with long-dated liabilities, such as life insurance companies and pension funds.

The bonds were awarded split ratings; Aa2 by Moody's and A+ by Standard & Poor's. S&P said the acquisitions had "significantly affected Scottish Power's debt service capacity and increased leverage".

Other deals in sterling included an issue of convertible bonds by Land Securities. The lead manager, Schroders, said it met strong demand on the back of "a good equity story". The deal was priced at the higher end of the announced range, with a coupon of 6 per cent and a conversion premium of 13 per cent.

Housing Association Funding, a special purpose vehicle created jointly by five housing associations, launched a bond issue consisting of repackaged housing loans. With help from a special structure – combining over-collateralisation and provisions against default – the bonds were rated triple-A by both Moody's and S&P.

Asfinag, the road operator backed by the Austrian government, tapped the US dollar sector for the first time in five years. The tightness of the yield spread – 7 basis points over US Treasuries – was justified by the rarity value and sovereign status of the issuer, according to lead manager BZW.

In the Italian lira sector the International Finance Corporation replicated an innovative issue of structured notes launched last week by the European Investment Bank. The bonds pay no yearly interest, but their redemption price is a function of the performance of the Italian stock exchange. They also offer a minimum guaranteed yield in case equities perform poorly over the period.

● Moody's announced a review of the credit ratings of Ile de France, which includes Paris, prompted by the failure of the region's council to adopt a budget for the 1997 fiscal year.

This review affects the equivalent of $960m of long-term debt, which is currently rated Aaa.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Südwest LB Cap Markets	750	6.50	99.60R	Feb 2002	0.25R	-	Goldman Sachs
Asfinag	250	6.50	99.67R	Feb 2003	0.275R	+7(w/5yUS$)	Barclays de Zoete Wedd
Multicanal Tranche 1	125	(a)	(a)	Feb 2002	1.25	(a1)	CSFB(NY)/Bank of Boston
Multicanal Tranche 2	125	(a)	(a)	Feb 2007	2.00	(a2)	CSFB(NY)/Bank of Boston
Ceval Alimentos	100	10.63	99.90R	Dec 2004	1.125R	(b)	Chase
SWISS FRANCS							
France Telecom(s)	200	3.25	102.20	Sep 2002	2.00	-	CSFB
Abbey National Tsy Srvcs	100	3.00	101.50	Mar 2002	std	-	UBS
STERLING							
Land Secs Fin Jersey(c)§	210	6.00	100.00	Mar 2007	2.50	-	Schroders
Scottish Power	200	8.38	99.83R	Feb 2017	2.50	+63(8%-15)	HSBC Markets
Housing Assoc Funding(s)	68.25	8.25#	99.63	Jun 2027	0.625	+58(8¾%-17)	Barclays de Zoete Wedd
GREEK DRACHMA							
Deutsche Fin Curacao(s)	20bn	9.25	99.95R	Aug 1998	0.125R	-	Deutsche Morgan G'Fell
CANADIAN DOLLARS							
BNG(s)	100	6.00	99.60R	Dec 2002	0.28R	+24(7%-01)	CIBC Wood Gundy
ITALIAN LIRE							
International Finance Corp	150bn	zero	99.60R	Feb 2000	0.20R	-	Cariplo
CZECH KORUNA							
BIL	1bn	10.75	100.10R	Feb 1998	0.15R	-	Creditanstalt

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) To be priced today. a1) +25 -37.5bp(interpolated Argentine global bonds). a2) +25bp–37.5bp(11%-06) Argentine. b) Put option 30/12/01; +425bp over put. c) Conv price: 13%. Call at par after 14/4/02. s) Short 1st coupon.

CAPITAL MARKETS DIGEST

Panama to make eurobond debut

Panama is to make its debut eurobond next month after having received its first sovereign credit rating from the leading US agencies last week. The offering – of up to $300m, according to officials – follows the country's decision to issue its first Brady bonds in July 1996 in exchange for $3.5bn of distressed commercial debt. A Brady bond is restructured debt collateralised by US Treasury bonds.

"This isn't the best timing for a debut eurobond, because of worries about US interest rate increases," said Mr Peter West, director of emerging markets research at WestMerchant in London. "On the other hand, Panama's economy is viewed pretty favourably nowadays and investors will like the novelty value."

The issue, which will be lead-managed by Bank of Boston, is expected to be priced at between 225 and 275 basis points over US Treasury securities. The Panamanian government starts a two-week road show, which will include the US and Europe, today in Seoul.

Standard & Poor's, the US credit rating agency which assigned Panama a sovereign rating of BB+ (one notch below investment grade), said the country had substantially improved its fundamentals and predicted economic growth of 4-5 per cent for the next four years. However, a low domestic savings and investment rate and unemployment of 14 per cent would constrain higher growth, it said. Panama's PDI Brady bonds responded well to last week's credit rating, tightening by 60 basis points to 230 basis points over US Treasuries.

Moody's Investors Service assigned Panama a Ba1 rating (also one level below investment grade) and a Baa1 sovereign ceiling for other issues. The agency stopped short of assigning a higher rating because of a lack of foreign exchange controls in the country.

Edward Luce, London

Oneximbank raises $50m

Oneximbank, one of Russia's most powerful commercial banks, yesterday launched a three-year floating-rate bond, the first time a Russian company has issued unsecured medium-term debt in the international capital markets.

The $50m private placement, priced at 300 basis points over Libor, has been fully underwritten by Merrill Lynch, the US investment bank, which has been aggressively touting for business in Russia.

If successful, bankers predict that the issue could lead to a wave of similar issues from Russian banks desperate to raise new capital. Russian companies would appear to favour debt over equity issues because they do not dilute corporate control.

Mr Alexander Popov, head of treasury at Oneximbank, said the $50m bond was issued through its Dutch subsidiary and was likely to be followed by bigger offerings over the coming months. "We have worked out a strategy for accessing international capital markets and there will be some other projects along the way," he said.

John Thornhill, Moscow

Trading subdued ahead of US economic data

GOVERNMENT BONDS

By Edward Luce and Richard Adams in London and Lisa Bransten in New York

A higher than expected rise in the German cost of living for January left European bond markets unfazed yesterday, although UK gilt prices dipped in advance of a series of government bond auctions starting today.

Traders said that both the European and US markets were awaiting direction from the US, where employment cost data are published today and fourth-quarter GDP figures are expected on Friday.

Analysts said a series of European bond auctions this week were expected to keep markets subdued. Today's £2.5bn 10-year gilt auction and the DM10bn German 10-year bund and Italian 30-year BTP auctions later, are expected to depress bond prices across most of Europe.

"Next week's FOMC [Federal Open Market Committee] meeting will be very important for Europe," said Mr Crag Shute, fixed-income analyst at Bear Stearns in London. "Apart from that, the markets don't really have a sense of direction at the moment."

German bond futures were flat yesterday as markets digested the 0.4 per cent rise in the cost of living index to 1.8 per cent in January. Traders said that the rise, which was mainly caused by higher energy prices from the December cold snap, was unlikely to alter the uncertain outlook on German interest rates.

Ten-year German bunds closed 0.3 up at 101.17. March Italian BTP futures rose by 0.14 to close at 131.57 on Liffe.

Spanish bono futures dropped by 0.25 to close at 113.43 after Mr José Folgado, Spain's budget secretary, predicted that Spain's 90 basis point spread over bunds would remain the limit for the next six months.

Analysts at Nikko Europe in London said the UK's 0.8 per cent rise in GDP for the fourth quarter was in line with the expectations.

"The report, in conjunction with the flux of recent weak economic data, now virtually rules out an interest rate hike at the February 5 monetary meeting," Nikko said.

Mr Philip Shaw, chief economist at Union Discount in London, said the market was more concerned with this week's dual UK gilt auction.

Today sees the sale of £2.5bn of 7.25 per cent coupon stock maturing in 2007, while Thursday's auction is of £1.5bn worth of 7 per cent 2002 paper.

Mr Shaw said the gilt market was "marking time" before this week's important economic data from the US.

On Liffe, the long gilt future contract for March settled at 110$\frac{5}{16}$, down ¼ from Friday, and traded within a narrow band.

In the cash market, gilts underperformed bunds. The 10-year benchmark gilt slipped $\frac{9}{32}$ to end at 100$\frac{1}{32}$. Its yield rose to 7.49 per cent, up three basis points, and its spread against bunds widened by the same amount.

US Treasury prices slipped again in early trading yesterday amid growing nervousness about data on fourth-quarter wages and gross domestic product.

For a second consecutive session, the yield on the benchmark 30-year Treasury bond moved above 6.9 per cent. On Friday, the long bond yield hovered above that level for much of the session before finishing at 6.89 per cent.

By early yesterday afternoon, the long bond was off $\frac{3}{32}$ at 94$\frac{23}{32}$ to yield 6.907 per cent.

At the short end of the maturity spectrum, two-year notes were $\frac{1}{32}$ lower at 99%, yielding 6.060 per cent. The March 30-year bond slipped $\frac{3}{32}$ to 109$\frac{31}{32}$.

The market paid little attention to a drop in existing home sales for December which was reported at mid-morning. Existing home sales dropped 3.5 per cent last month.

Instead, traders were focused on today's release of the employment cost index, which is expected to have risen by about 0.8 per cent.

Some Wall Street economists believe that if the figure is much stronger, it could prompt the Federal Reserve to raise interest rates at next month's meeting of its Open Market Committee.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	95.3110	+0.200	7.43	7.35	7.42
Austria		5.625	01/07	96.4200	-0.050	5.84	5.78	5.94
Belgium		7.000	05/06	108.7900	-0.030	5.75	5.73	5.99
Canada *		7.000	12/06	101.8800	-0.070	6.73	6.59	6.50
Denmark		8.000	03/06	111.2800	+0.880	6.33	6.37	6.75
France	BTAN	5.500	10/01	104.0624	-0.090	4.53	4.41	4.73
	OAT	6.500	10/06	108.2500	-0.200	5.65	5.58	5.82
Germany Bund		6.000	01/07	101.4900	-0.070	5.80	5.75	5.87
Ireland		8.000	08/06	109.0000	-0.380	6.69	6.51	6.82
Italy		9.500	02/06	115.5500	+0.070	7.13†	7.15	7.50
Japan	No 143	6.300	09/01	121.9094	+0.510	1.30	1.37	1.46
	No 182	3.000	09/05	104.6711	+0.380	2.35	2.38	2.46
Netherlands		5.750	01/07	100.1800	-0.020	5.60	5.59	5.84
Portugal		9.500	02/06	118.8100	-0.140	6.67	6.60	6.95
Spain		8.800	04/06	113.6900	-	6.70	6.61	6.95
Sweden		8.000	08/07	108.3776	-0.310	6.85	6.60	6.99
UK Gilts		8.000	12/00	103-08	-18/32	7.02	6.94	7.17
		7.500	12/06	100-01	-7/32	7.49	7.38	7.62
		9.000	10/08	110-29	-9/32	7.56	7.46	7.71
US Treasury *		6.500	10/06	98-30	-13/32	6.65	6.54	6.34
		6.500	11/26	94-23	-4/32	6.92	6.82	6.59
ECU (French Govt)		7.000	04/06	107.0700	-0.120	5.88	5.92	6.20

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.08
Prime rate	8¼	Two month	-	Three year	6.20
Broker loan rate	7	Three month	5.17	Five year	6.41
Fed.funds	5¼	Six month	5.34	10-year	6.65
Fed.funds at intervention	-	One year	5.61	30-year	6.92

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.32	130.14	-0.18	130.38	130.12	50,903	121,382
Jun	128.96	128.78	-0.18	128.96	128.80	225	14,538
Sep	127.28	127.10	-0.18	127.28	127.28	2	777

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Jun
127	3.14	2.29	2.60	-	0.06	0.84
128	2.14	1.46	1.94	-	0.15	1.17
129	1.17	0.83	1.41	0.03	0.32	1.63
130	0.32	0.39	0.95	0.18	0.69	2.16
126	0.02	0.15	0.62	0.88	1.25	-

Est. vol. total, Calls 11,566 Puts 20,812. Previous day's open int., Calls 163,468 Puts 170,480.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.18	101.15	+0.01	101.30	101.07	93773	223900
Jun	100.34	100.25	+0.03	100.34	100.22	167	7284

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
10100	0.73	0.57	0.80	0.96	0.58	1.32	1.55	1.71
10150	0.47	0.40	0.61	0.76	0.82	1.65	1.86	2.01
10200	0.27	0.28	0.45	0.59	1.12	2.03	2.20	2.34

Est. vol. total, Calls 19605 Puts 14236. Previous day's open int., Calls 164484 Puts 158594

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	131.71	131.57	+0.12	131.90	131.53	28396	110634
Jun	131.30	131.04	+0.10	131.30	131.03	1161	8894

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
13150	1.03	1.91	0.96	2.37
13200	0.77	1.66	1.20	2.62
13250	0.56	1.46	1.49	2.92

Est. vol. total, Calls 1418 Puts 3979. Previous day's open int., Calls 141089 Puts 114231

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	113.70	113.68	+0.25	113.86	113.52	69,325	64,761
Jun	-	113.53	-	-	-	-	305

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110-22	110-10	-0-08	110-25	110-07	44693	163423
Jun	109-25	109-25	-0-08	109-25	109-25	9	552

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
110	1-10	1-17	1-40	1-59	0-54	1-31	1-54	2-09
111	0-43	0-54	1-13	1-30	1-23	2-04	2-27	2-44
112	0-23	0-34	0-55	1-06	2-03	2-48	3-05	3-20

Est. vol. total, Calls 7202 Puts 3046. Previous day's open int., Calls 28602 Puts 21958

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.76	96.66	-0.16	96.78	96.66	828	6,748

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	110-06	109-31	-0-09	110-10	109-31	465,520	464,884
Jun	109-21	109-16	-0-07	109-24	109-16	1,060	27,965
Sep	109-03	109-10	-	109-03	109-03	33	5,625

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	126.71	-	-	126.76	126.52	1624	n/a
Jun	125.31	-	-	125.31	125.27	61	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Jan 27	Day's change %	Fri Jan 24	Accrued interest	xd adj. ytd
1 Up to 5 years (20)	121.42	-0.02	121.45	2.79	0.78
2 5-15 years (20)	149.59	-0.21	149.90	2.30	1.09
3 Over 15 years (7)	170.38	-0.43	171.12	4.87	0.11
4 Irredeemables (6)	194.29	-0.69	195.65	2.31	1.00
5 All stocks (52)	144.63	-0.19	144.90	3.00	0.81
Index-linked					
6 Up to 5 years (2)	204.83	0.20	204.43	1.93	0.00
7 Over 5 years (10)	194.86	0.50	193.88	1.17	1.09
8 All stocks (12)	194.86	0.47	193.94	1.25	0.97

	Low coupon yield Jan 27	Jan 24	Yr. ago	Medium coupon yield Jan 27	Jan 24	Yr. ago	High coupon yield Jan 27	Jan 24	Yr. ago
5 yrs	7.14	7.11	6.87	7.19	7.17	6.91	7.23	7.21	6.98
15 yrs	7.68	7.63	7.69	7.66	7.61	7.73	7.50	7.46	7.81
20 yrs	7.75	7.70	7.80	7.71	7.67	7.82	7.51	7.49	7.87
Irred.†	7.79	7.73	7.87						

	Inflation 5% Jan 27	Jan 24	Yr. ago	Inflation 10% Jan 27	Jan 24	Yr. ago
Up to 5 yrs	3.16	3.21	2.46	2.46	2.50	1.21
Over 5 yrs	3.58	3.62	3.56	3.37	3.41	3.36

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jan 27	Jan 24	Jan 23	Jan 22	Jan 21	Yr ago	High*	Low*
Govt. Secs. (UK)	94.53	94.82	95.17	95.35	94.75	95.46	96.34	91.59
Fixed Interest	117.70	117.93	118.00	117.80	117.45	114.27	117.82	110.74

Gilt Edged Activity Indices

	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20
Gilt Edged bargains	81.1	85.6	88.8	85.5	79.2
5-day average	84.1	83.4	84.8	83.2	84.5

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 27

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98⅞	99⅛	-⅛	6.72
ABN Amro Bank 7¼ 05	1000	100⅝	100⅞	-⅛	7.27
[illegible]					
Spain 7¼ 03	4000	110¼	110⅜	+⅛	5.24
Volkswagen Intl Fin 7 03	1000	107⅝	107⅞	-⅛	5.53
World Bank 5⅞ 03	3000	104	104⅛		5.16
[illegible]					
Abbey Natl Treasury 8 03 £	1000	101½	101⅝	-¼	7.68
British Land 8⅞ 23 £	150	98½	98¾	-⅛	9.23
Denmark 6¾ 98 £	800	99⅞	100		6.80
[illegible]					

CURRENCIES AND MONEY

Dollar firm ahead of key US labour costs data

MARKETS REPORT

By Graham Bowley

The dollar stayed firm on the foreign exchanges yesterday as traders waited to see if the currency would mount another challenge on Y120.

On Friday the currency briefly broke through Y120 to reach a 47-month high against the yen before it was talked back down by Japanese officials amid rumours that the Bank of Japan was selling the US currency.

Speculation mounted again yesterday that the dollar would resume its upward surge soon. Attention was focused on the release today of key US employment cost data – which, if strong, could give a green light to Mr Alan Greenspan, chairman of the US Federal Reserve, to raise interest rates when the Fed meets next week.

Comments by Mr Eisuke Sakakibara, director-general of international finance at the finance ministry, that the weak yen was "objectively positive" for the Japanese economy, suggested the Japanese authorities might not block another move upwards by the dollar.

The US currency rose against the D-Mark despite stronger than expected German inflation data. The data suggested the Bundesbank might find it hard to reduce interest rates further.

The pound recovered some poise after its sharp tumble last week. Data showed UK GDP grew at the fastest rate for two years in the final quarter of last year.

In emerging markets, the Polish zloty eased slightly after the central bank intervened to weaken the currency which has been appreciating strongly.

■ Pound in New York

Jan 27	—Latest—	— Prev. close —
£ spot	1.6200	1.6290
1 mth	1.6190	1.6280
3 mth	1.6177	1.6261
1 yr	1.6082	1.6172

The Bulgarian lev, which has been in freefall since last year, fell further yesterday. Traders and investors are waiting to see whether the authorities will introduce a currency board in line with International Monetary Fund requests.

The dollar closed against the yen in London at Y119.35 and against the D-Mark at DM1.6376. The pound finished at $1.6235 and at DM2.6586.

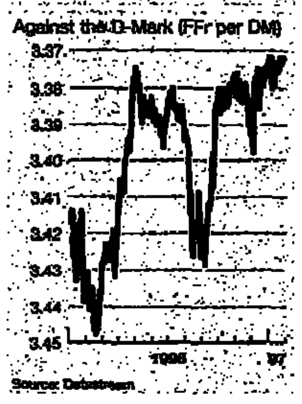
■ The dollar's fate against the yen was again the main focus of attention yesterday.

Mr Paul Meggyesi, at Deutsche Morgan Grenfell in London, said he doubted the rumours that the Bank of Japan had intervened to support the yen at Y120.

"Mr Sakakibara's comments suggest that Japan has not reached the pain threshold yet so the dollar will continue to rise until there is a clear indication that enough is enough," he said.

French franc

Against the D-Mark (FFr per DM)



Source: Datastream

Mr Steve Hannah, at IBJ International in London, said: "The market is still dollar friendly, we are still seeing a lot of demand for dollar paper."

Mr Sanjay Joshi, at Daiwa in London, said investors were "fighting shy" of taking the dollar above Y120 because of the belief that the Bank of Japan would intervene. But he said that the dollar would continue to appreciate in February and March. But he said the dollar would reverse its course towards the end of March as Japanese investors repatriated capital towards the end of the financial year.

But Mr Kirit Shah, at Sanwa International in London, said the dollar was likely to face strong resistance above Y120. "That level will be a significant marker, the dollar will struggle to make new highs above that," he said.

■ Mr Kay Haigh, senior economist at DMG in London, said a currency board was the key to restoring stability to the Bulgarian lev, which has depreciated sharply since the beginning of the year. "That will be a key condition if it is to receive assistance from the IMF," he said.

As well as the fate of the lev, another important feature of trade in emerging market currencies at present, according to Mr David Simmonds, emerging market economist at Citibank in London, is the renewed strength of the South African rand. "We have seen some recovery of the rand on the back of a better local bond market," he said.

Mr Simmonds said investors, who were reluctant to come back into the market at the beginning of this year after last year's turbulence, were now seeking access to the higher yields the South African market offered.

He said this year many emerging markets, especially in central and eastern Europe, had been characterised by appreciating currencies. "There is an appetite for accessing superior yields on the part of investors."

■ OTHER CURRENCIES

Jan 27	£	$
Czech Rp	45.1811 - 45.2414	27.8380 - 27.8580
Hungary	274.514 - 274.765	169.140 - 169.190
Iran	4872.00 - 4869.00	3000.00 - 3000.00
Kuwait	0.4898 - 0.4909	0.3018 - 0.3023
Poland	4.8755 - 4.8817	3.0040 - 3.0060
Russia	9122.88 - 9131.75	5621.00 - 5623.00
U.A.E.	5.9572 - 5.9658	3.6705 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jan 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.7064	+0.0671	965 - 163	18.7491	18.6291	18.6629	2.8	18.6064	2.1	-	-	103.8
Belgium	(BFr)	54.8013	+0.1455	763 - 292	54.9350	54.6880	54.6763	2.7	54.4113	2.8	53.2163	2.8	104.0
Denmark	(DKr)	10.1384	+0.0243	332 - 435	10.1671	10.1187	10.1185	2.4	10.0779	2.4	9.899	2.4	106.1
Finland	(FM)	7.8764	-0.033	680 - 847	7.9390	7.8310	-	-	-	-	-	-	84.3
France	(FFr)	8.9830	+0.0298	594 - 666	8.9996	8.9461	8.9422	2.8	8.9006	2.8	8.6958	3.0	106.8
Germany	(DM)	2.6586	+0.0092	573 - 599	2.6669	2.6527	2.6521	2.9	2.6386	3.0	2.574	3.2	105.7
Greece	(Dr)	416.761	+0.702	511 - 011	418.452	413.836	-	-	-	-	-	-	66.6
Ireland	(I£)	1.0144	-0.0003	134 - 153	1.0162	1.0128	1.0141	0.4	1.0131	0.5	1.0068	0.8	102.4
Italy	(L)	2589.50	+6.46	820 - 080	2594.45	2583.54	2592.75	-1.5	2595.1	-0.9	2583.25	0.2	78.1
Luxembourg	(LFr)	54.8013	+0.1455	763 - 292	54.9350	54.6880	54.6763	2.7	54.4113	2.8	53.2163	2.8	104.0
Netherlands	(Fl)	2.9865	+0.0122	847 - 882	2.9939	2.9792	2.9787	3.1	2.9632	3.1	2.8897	3.2	103.9
Norway	(NKr)	10.5419	-0.069	370 - 467	10.6901	10.4757	10.5294	1.4	10.5094	1.2	10.4044	1.3	103.9
Portugal	(Es)	265.621	+0.371	459 - 784	266.831	263.737	265.816	-0.9	266.186	-0.9	-	-	95.3
Spain	(Pta)	223.775	+0.412	692 - 858	224.341	223.279	223.776	0.0	223.556	0.4	221.16	1.2	78.6
Sweden	(SKr)	11.7648	-0.0287	552 - 746	11.7831	11.7403	11.7459	1.9	11.7014	2.2	11.4974	2.3	88.2
Switzerland	(SFr)	2.2986	+0.0091	951 - 980	2.3023	2.2826	2.2888	4.2	2.2734	4.0	2.2019	4.1	103.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	95.4
Ecu	-	1.3708	+0.0023	699 - 713	1.3753	1.3670	1.3687	1.7	1.3642	1.9	1.3426	2.0	-
SDR†	-	1.162061	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6233	-0.0048	227 - 238	1.6298	1.6202	-	-	-	-	-	-	-
Brazil	(R$)	1.6945	-0.0053	936 - 951	1.7013	1.6915	-	-	-	-	-	-	-
Canada	(C$)	2.1840	-0.0105	829 - 851	2.1979	2.1791	2.1789	2.8	2.166	2.9	2.109	3.4	86.5
Mexico	(New Peso)	12.7128	-0.0353	052 - 204	12.7375	12.7035	-	-	-	-	-	-	-
USA	($)	1.6235	-0.0051	230 - 240	1.6305	1.6205	1.6225	0.7	1.6206	0.7	1.6119	0.7	101.3
Pacific/Middle East/Africa													
Australia	(A$)	2.1059	-0.0028	040 - 066	2.1095	2.0996	2.1068	-0.7	2.1073	-0.4	2.1069	-0.1	94.7
Hong Kong	(HK$)	12.5575	-0.039	628 - 722	12.6209	12.5451	12.5502	0.7	12.5464	0.7	12.4817	0.7	-
India	(Rs)	58.1944	-0.1826	359 - 529	58.4400	58.1270	-	-	-	-	-	-	-
Israel	(Shk)	5.3611	-0.0045	541 - 681	5.3813	5.3541	-	-	-	-	-	-	-
Japan	(Y)	193.765	+0.157	604 - 926	194.420	193.140	192.835	5.8	190.96	5.7	182.565	5.8	125.1
Malaysia	(M$)	4.0411	-0.0133	393 - 429	4.0600	4.0350	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3555	+0.0066	539 - 570	2.3570	2.3458	2.3622	-3.4	2.3717	-2.7	2.3925	-1.6	113.0
Philippines	(Peso)	42.7630	-0.1349	011 - 249	42.8249	42.7011	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0889	-0.0194	867 - 910	6.1150	6.0778	-	-	-	-	-	-	-
Singapore	(S$)	2.2857	-0.0073	844 - 869	2.2954	2.2817	-	-	-	-	-	-	-
South Africa	(R)	7.4316	-0.0803	252 - 379	7.5185	7.4219	-	-	-	-	-	-	-
South Korea	(Won)	1387.52	-4.53	702 - 803	1394.69	1387.02	-	-	-	-	-	-	-
Taiwan	(T$)	44.5651	-0.1563	189 - 113	44.7540	44.4887	-	-	-	-	-	-	-
Thailand	(Bt)	41.9026	-0.1072	734 - 317	42.0700	41.8220	-	-	-	-	-	-	-

† Rates for Jan 24. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.5223	+0.0773	197 - 248	11.5515	11.4750	11.5076	1.5	11.4623	2.1	11.2673	2.2	103.7
Belgium	(BFr)	33.7550	+0.195	500 - 600	33.8500	33.6250	33.695	2.1	33.5675	2.2	33.0275	2.2	104.1
Denmark	(DKr)	6.2448	+0.0345	435 - 460	6.2591	6.2225	6.2359	1.7	6.2175	1.7	6.1356	1.7	105.7
Finland	(FM)	4.8515	-0.0051	478 - 551	4.8735	4.8259	4.8427	2.2	4.8239	2.3	4.7415	2.3	83.4
France	(FFr)	5.5208	+0.0353	203 - 213	5.5357	5.4994	5.5125	1.8	5.4945	1.9	5.4183	1.8	106.6
Germany	(DM)	1.6376	+0.0108	373 - 379	1.6420	1.6305	1.6347	2.1	1.6287	2.2	1.6029	2.1	105.5
Greece	(Dr)	256.705	+1.235	630 - 780	257.430	255.000	258.26	-7.3	260.83	-6.4	271.855	-5.9	66.4
Ireland	(I£)	1.6005	-0.0046	995 - 015	1.6053	1.5985	1.6	0.3	1.5997	0.2	1.5958	0.2	-
Italy	(L)	1595.01	+4.86	470 - 532	1597.87	1589.20	1597.74	-2.1	1602.9	-1.5	1601.75	-0.4	77.7
Luxembourg	(LFr)	33.7550	+0.195	500 - 600	33.8500	33.6250	33.695	2.1	33.5675	2.2	33.0275	2.2	104.1
Netherlands	(Fl)	1.8395	+0.0132	390 - 400	1.8440	1.8318	1.8357	2.5	1.8277	2.6	1.7921	2.6	103.8
Norway	(NKr)	6.4933	-0.022	923 - 943	6.5577	6.4577	6.4895	0.7	6.4839	0.6	6.4563	0.5	102.4
Portugal	(Es)	163.610	+0.74	560 - 660	164.180	162.600	163.815	-1.5	164.11	-1.2	164.885	-0.8	95.7
Spain	(Pta)	137.835	+0.695	800 - 850	138.160	137.460	137.933	-0.9	137.945	-0.3	137.165	0.5	78.4
Sweden	(SKr)	7.2467	+0.0404	429 - 504	7.2598	7.2042	7.2436	0.5	7.234	0.7	7.1657	1.1	86.1
Switzerland	(SFr)	1.4146	+0.01	141 - 150	1.4200	1.4085	1.4108	3.3	1.403	3.3	1.3701	3.1	103.1
UK	(£)	1.6235	-0.0051	230 - 240	1.6305	1.6205	1.6225	0.7	1.6206	0.7	1.6119	0.7	95.0
Ecu	-	1.1846	-0.0067	843 - 848	1.1872	1.1815	1.186	-1.4	1.1891	-1.5	1.2057	-1.8	-
SDR†	-	0.712702	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0003	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0437	-	436 - 439	1.0440	1.0436	-	-	-	-	-	-	-
Canada	(C$)	1.3453	-0.0022	450 - 455	1.3488	1.3439	1.3429	2.1	1.3379	2.2	1.3104	2.6	88.0
Mexico	(New Peso)	7.8305	+0.009	270 - 340	7.8340	7.8250	7.9485	-18.1	8.215	-19.6	9.0755	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.9
Pacific/Middle East/Africa													
Australia	(A$)	1.2986	+0.0024	963 - 972	1.2972	1.2938	1.2983	-1.4	1.3002	-1.0	1.3057	-0.7	96.4
Hong Kong	(HK$)	7.7410	+0.0003	405 - 415	7.7415	7.7320	7.7409	0.0	7.7414	0.0	7.7525	-0.1	-
India	(Rs)	35.8450	-	200 - 700	35.8700	35.7450	36.06	-7.2	36.52	-7.5	-	-	-
Israel	(Shk)	3.3022	+0.0075	999 - 055	3.3055	3.2987	-	-	-	-	-	-	-
Japan	(Y)	119.350	+0.47	300 - 400	119.570	118.890	118.875	4.8	117.87	5.0	113.67	4.8	125.9
Malaysia	(M$)	2.4892	-0.0003	888 - 895	2.4915	2.4865	2.492	-1.4	2.4974	-1.3	2.5187	-1.2	-
New Zealand	(NZ$)	1.4509	+0.0066	503 - 514	1.4514	1.4452	1.4564	-4.5	1.4607	-2.7	1.4922	-2.8	-
Philippines	(Peso)	26.3400	-	100 - 700	26.3700	26.3100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	503 - 508	3.7506	3.7502	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4079	-0.0001	075 - 082	1.4085	1.4072	1.4057	1.8	1.4011	1.9	1.3789	2.0	-
South Africa	(R)	4.5775	-0.035	750 - 800	4.6120	4.5750	4.6128	-10.1	4.6932	-10.1	5.008	-8.4	-
South Korea	(Won)	854.850	-0.1	600 - 700	855.800	854.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.4500	-0.01	300 - 700	27.4700	27.4300	27.4501	0.0	27.4503	0.0	-	-	-
Thailand	(Bt)	25.8100	+0.015	000 - 200	25.8200	25.7950	25.9	-4.2	26.0675	-4.0	26.705	-3.5	-

† SDR rate per $ for Jan 24. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 24: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

January 27	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3¼	3¼	6.00	2.50	-
France	3¼	3½	3½	3½	3½	3.15	-	4.75
Germany	3⅛	3¼	3¼	3¼	3¼	4.50	2.50	3.00
Ireland	5⅜	5½	5⅝	5¾	5⅞	-	-	6.25
Italy	7½	7¼	7⅛	6⅞	6¾	9.00	7.50	7.35
Netherlands	2⅞	2⅞	2⅞	3	3¼	-	3.00	3.30
Switzerland	1¾	1¾	1¾	1¾	1⅞	-	1.00	-
US	5¼	5⅜	5⅝	5⅝	5⅞	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅜	5⅝	5⅞	-	-	-
US Dollar CDs	-	5.14	5.20	5.28	5.51	-	-	-
ECU Linked Ds	-	4	4	4	4	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	6⅛ - 5 15/16	6⅛ - 6	6 5/16 - 6 3/16	6 7/16 - 6 5/16	6 13/32 - 6 11/32	6¾ - 6 21/32
Swiss Franc	1 13/16 - 1 11/16	2 - 1⅞	1 13/16 - 1 11/16	1 13/16 - 1 11/16	1 13/16 - 1 11/16	1 15/16 - 1 13/16
Can. Dollar	3 - 2 13/16	3 - 2 13/16	3 1/16 - 2 15/16	3 3/16 - 3 1/16	3 5/16 - 3 3/16	3 23/32 - 3 19/32
US Dollar	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5½ - 5⅜	5⅝ - 5½	5 11/16 - 5 9/16	5 31/32 - 5 27/32
Italian Lira	7½ - 6⅝	7⅜ - 6	7 - 7 7/16	7 3/16 - 7 1/16	6 15/16 - 6¾	6 13/16 - 6⅝
Yen	½ - ⅜	17/32 - 13/32	7/16 - 11/32	7/16 - 11/32	15/32 - 11/32	⅝ - ½
Asian $Sing	1⅝ - 1½	2 7/16 - 2 5/16	2¾ - 2⅝	2 15/16 - 2 13/16	3 - 2⅞	3¼ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.72	96.71	-0.02	96.73	96.70	12,882	79,475
Jun	96.74	96.73	-0.02	96.76	96.72	4,968	49,522
Sep	96.70	96.69	-0.03	96.72	96.68	3,179	34,489

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.88	96.88	-	96.89	96.87	18386	210335
Jun	96.85	96.84	-0.01	96.86	96.83	21014	183454
Sep	96.74	96.74	+0.01	96.75	96.72	21279	154305
Dec	96.55	96.56	+0.01	96.57	96.54	14394	158617

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Feb	96.87	96.87	-0.01	96.87	96.87	129	12906
Mar	96.88	96.87	-0.01	96.88	96.86	204	13489
Apr	-	96.91	-	-	-	0	767
May	-	96.91	-	-	-	0	3932

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.31	93.27	-0.01	93.31	93.26	5147	94049
Jun	93.88	93.82	-0.04	93.88	93.80	5785	84413
Sep	94.19	94.15	-0.04	94.20	94.13	2441	42323
Dec	94.37	94.31	-0.04	94.37	94.29	2424	29571

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.18	98.16	-0.02	98.22	98.16	5151	35541
Jun	98.12	98.10	-0.02	98.15	98.08	2749	20266
Sep	98.02	97.98	-0.02	98.02	97.97	693	10743
Dec	97.82	97.78	-0.02	97.82	97.77	196	5640

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	99.47	-	-	-	0	n/a
Jun	99.44	99.44	+0.01	99.44	99.44	300	n/a
Sep	99.35	99.35	+0.03	99.35	99.35	1726	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.99	95.98	-	96.00	95.97	786	10176
Jun	96.02	96.01	-0.01	96.03	96.00	825	6543
Sep	96.02	96.00	-0.01	96.02	95.99	143	4049
Dec	95.92	95.91	-0.02	95.92	95.90	94	4574

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9325	0.16	0.66	1.02	0.14	0.09	0.12
9350	0.07	0.47	0.82	0.30	0.15	0.17
9375	0.03	0.30	0.63	0.51	0.23	0.23

Est. vol. total, Calls 1445 Puts 1025. Previous day's open int., Calls 98016 Puts 87750

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.50	16.36	4.852	1.850	4724	5.449	19.23	484.7	408.2	21.46	4.190	1.825	3.985	2.964	353.5	2.502
Denmark	(DKr)	54.04	10	8.839	2.622	1.000	2553	2.945	10.39	261.9	220.6	11.60	2.264	0.986	2.154	1.602	191.0	1.352
France	(FFr)	61.14	11.31	10	2.967	1.131	2889	3.331	11.76	296.3	249.6	13.12	2.562	1.116	2.437	1.812	216.1	1.530
Germany	(DM)	20.61	3.813	3.371	1	0.381	973.7	1.123	3.964	99.89	84.13	4.423	0.863	0.376	0.821	0.611	72.85	0.516
Ireland	(I£)	54.04	10.00	8.839	2.622	1	2553	2.945	10.39	261.9	220.6	11.60	2.264	0.986	2.154	1.602	191.0	1.352
Italy	(L)	2.117	0.392	0.346	0.103	0.039	100.	0.115	0.407	10.26	8.640	0.454	0.089	0.039	0.084	0.063	7.482	0.053
Netherlands	(Fl)	18.35	3.396	3.002	0.890	0.340	867.0	1	3.530	88.95	74.92	3.938	0.769	0.335	0.731	0.544	64.87	0.459
Norway	(NKr)	51.99	9.620	8.504	2.523	0.962	2456	2.833	10	252.0	212.2	11.16	2.178	0.949	2.072	1.541	183.8	1.301
Portugal	(Es)	20.63	3.818	3.375	1.001	0.382	974.8	1.124	3.968	100.	84.22	4.428	0.864	0.377	0.822	0.611	72.93	0.516
Spain	(Pta)	24.50	4.533	4.007	1.189	0.453	1157	1.335	4.712	118.7	100.	5.257	1.026	0.447	0.976	0.726	86.59	0.613
Sweden	(SKr)	46.60	8.622	7.622	2.261	0.862	2202	2.539	8.963	225.9	190.2	10	1.952	0.850	1.857	1.381	164.7	1.166
Switzerland	(SFr)	23.87	4.416	3.904	1.158	0.442	1128	1.301	4.591	115.7	97.43	5.122	1	0.436	0.951	0.707	84.36	0.597
UK	(£)	54.80	10.14	8.963	2.659	1.014	2589	2.986	10.54	265.6	223.7	11.76	2.296	1	2.184	1.624	193.7	1.371
Canada	(C$)	25.09	4.643	4.104	1.217	0.464	1185	1.367	4.826	121.6	102.4	5.385	1.051	0.458	1	0.744	88.69	0.628
US	($)	33.74	6.244	5.519	1.637	0.624	1594	1.839	6.490	163.5	137.7	7.241	1.414	0.616	1.345	1	119.3	0.844
Japan	(Y)	28.29	5.235	4.627	1.373	0.523	1337	1.542	5.441	137.1	115.5	6.071	1.185	0.516	1.128	0.838	100.	0.708
Ecu		39.97	7.396	6.538	1.939	0.740	1888	2.178	7.688	193.7	163.2	8.578	1.675	0.729	1.593	1.185	141.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6149	0.6125	-0.0031	0.6129	0.6118	28,333	80,437
Jun	0.6165	0.6160	-0.0034	0.6165	0.6160	294	5,284
Sep	0.6236	0.6236	-	0.6247	0.6236	2	2,186

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7134	0.7105	-0.0035	0.7108	0.7097	17,269	48,897
Jun	0.7177	0.7177	-0.0030	0.7177	0.7168	299	2,518
Sep	-	0.7294	-	0.7304	0.7269	17	1,896

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8451	0.8429	-0.0036	0.8443	0.8426	38,967	71,503
Jun	0.8551	0.8547	-0.0029	0.8555	0.8547	683	2,781
Sep	-	0.8685	-	0.8712	0.8685	24	466

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6248	1.6210	-0.0052	1.6214	1.6196	8,659	33,118
Jun	1.6150	1.6190	-0.0046	1.6190	1.6150	26	2,360
Sep	-	1.6280	-	-	-	11	1,038

UK INTEREST RATES

LONDON MONEY RATES

Jan 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 5½	6⅛ - 5⅞	6 3/16 - 6	6⅜ - 6 3/16	6½ - 6⅜	6 13/16 - 6 11/16
Sterling CDs	-	-	6⅛ - 6 1/16	6 5/16 - 6⅛	6 7/16 - 6¼	6 11/16 - 6⅝
Treasury Bills	-	-	5 15/16 - 5⅞	6 1/32 - 5 31/32	-	-
Bank Bills	-	-	5 31/32 - 5 29/32	6 3/32 - 6	6 5/16 - 6 3/16	-
Local authority deps.	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 6	6⅜ - 6¼	6 9/16 - 6 7/16	6⅞ - 6¾
Discount Market deps	6⅛ - 5⅞	6 1/16 - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jan 24, 5.9134pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 31, 1996. Agreed rate for period Jan 26, 1997 to Feb 25, 1997, Scheme III 7.69pc. Reference rate for period Nov 30, 1996 to Dec 31, 1996, Schemes IV & V 6.419pc. Finance House Base Rate 6½pc from Jan 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.64	93.63	+0.01	93.64	93.62	11971	102158
Jun	93.35	93.36	+0.02	93.38	93.34	11472	99211
Sep	93.13	93.13	+0.01	93.15	93.11	5906	65996
Dec	92.96	92.94	+0.01	92.97	92.91	6423	49670
Mar	92.83	92.80	+0.01	92.83	92.78	1207	36959

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9350	0.17	0.10	0.12	0.04	0.24	0.49
9375	0.03	0.04	0.05	0.15	0.43	0.67
9400	0	0.01	0.02	0.37	0.65	0.89

Est. vol. total, Calls 6230 Puts 1451. Previous day's open int., Calls 198400 Puts 138599

EMS EUROPEAN CURRENCY UNIT RATES

Jan 27	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.744379	-0.002097	-6.80	9.21	46
Finland	5.85424	5.77483	-0.03338	-1.36	3.19	9
Portugal	197.398	194.884	-0.212	-1.27	3.10	9
Italy	1906.48	1899.01	-4.14	-0.39	2.19	3
Spain	163.826	164.039	-0.241	0.13	1.65	-1
Netherlands	2.16979	2.19012	+0.00168	0.94	0.84	-7
Denmark	7.34555	7.43320	-0.0032	1.19	0.59	-8
Belgium	39.7191	40.1999	+0.0279	1.21	0.57	-9
Austria	13.5485	13.7160	+0.0081	1.24	0.54	-9
Germany	1.92573	1.94958	+0.00112	1.24	0.54	-12
France	6.45863	6.57394	+0.00192	1.79	0.00	-15
NON ERM MEMBERS						
Greece	295.269	305.498	-0.207	3.46	-1.62	-
UK	0.793103	0.734101	-0.000602	-7.44	9.97	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.670	0.26	0.73	1.13	4.52	5.06	5.42
1.680	0.14	0.53	0.89	5.40	5.86	-
1.690	0.06	0.38	-	6.32	-	-

Previous day's vol., Calls 740 Puts 7. Prev. day's open int., Calls 29,319 Puts 53,055

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
0.625	0.24	0.52	0.76	1.20	1.39	1.52
0.630	0.14	0.38	0.58	1.60	1.73	1.85
0.635	0.08	0.27	0.44	2.04	2.13	-

Previous day's vol., Calls 500 Puts 679. Prev. day's open int., Calls 35,431 Puts 20,030

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.37	94.36	-0.01	94.37	94.35	39,677	399,106
Jun	94.17	94.16	-0.02	94.18	94.16	63,148	367,844
Sep	93.98	93.97	-0.02	93.98	93.96	70,128	289,016

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.90	94.91	-	94.91	94.90	342	4,659
Jun	-	94.74	-	-	-	46	3,213
Sep	-	94.52	-	-	94.50	305	714

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
9675	0.14	0.15	0.13	0.17	0.01	0.02	0.04	0.06
9700	0.02	0.03	0.01	0.06	0.14	0.15	0.17	0.22
9725	0	0	0	0.01	0.37	0.37	0.41	0.42

Est. vol. total, Calls 2750 Puts 2000. Previous day's open int., Calls 443606 Puts 290128

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9825	0.09	0.17	0.22	0.18	0.32	0.49
9850	0.03	0.08	0.12	0.37	0.48	0.64

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 6575 Puts 2835

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	6.00	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of Scotland	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Investec Bank (UK) Ltd	6.00		
Clydesdale Bank	6.00	Julian Hodge Bank	6.00		
The Co-operative Bank	6.00	●Leopold Joseph & Sons	6.00		
Coutts & Co	6.00	Lloyds Bank	6.00		
Cyprus Popular Bank	6.00	Midland Bank	6.00		
		NatWestminster	6.00		

● Members of London Investment Banking Association
* In administration

LEGAL NOTICES

No. 00121 of 1997
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF HSBC JAMES CAPEL JAPAN LIMITED
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY given that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 9th January 1997 for the confirmation of the reduction of share premium account of the above named Company by £8,450,000.

AND NOTICE is futher given that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Court of Justice, Strand, London WC2A 2LL on Wednesday the 5th day of February 1997.

Any creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED the 28th January 1997
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: KO
Solicitors to the Company

COMMODITIES AND AGRICULTURE

China signals return as 'major corn producer'

By James Harding in Shanghai

China has signalled its return to corn exports after a three-year absence, announcing that it had produced one-fifth of the world's corn last year, and was once again a "major world corn producer". The growing output marks a reversal from 1994, when depleted supplies prompted the government to ban exports to rebuild national stocks.

China has not confirmed a resumption in corn exports but the US department of agriculture has reported that 250,000 tonnes have apparently been sold in Asian markets recently.

The first full-year estimates for 1996 show China increased production on 1995, when it produced 111.98m tonnes of corn, according to the Xinhua Daily Telegraph, the official newspaper.

Traders forecast that a high 1996 harvest and a full Chinese resumption of foreign sales could put pressure on prices of US corn.

One US analyst, citing downward pressure on Chicago Board of Trade corn futures following rumours of China's return to the market, was quoted by Reuters as saying: "US exporters will have to price themselves lower. We will see a price war."

Corn traders said Chinese sales in Asia were likely to reach 300,000 tonnes this month. The US department of agriculture has confirmed sales of 145,000 tonnes to the Philippines and smaller amounts to South Korea and Malaysia.

There has been speculation in the markets that Chinese exports for 1997 could exceed 1m tonnes, an estimate buoyed by indications from Japanese traders in China that they would be willing to buy corn if the government resumes official approval of the trade.

The government newspaper underlined the recovery in corn production yesterday, but did not give an exact figure for output.

Analysts in Shanghai say 1996 production could reach 118m tonnes, but officials suggest it could be higher. Corn covers about 20m hectares – about 15 per cent of arable land – and output is now about 7,500kg per hectare, the Xinhua Daily Telegraph said.

The bulk of production is in the central provinces of Shandong, Jiangsu and Henan but some 27 per cent comes from the northern regions around Jilin.

● China plans to import about 690,000 tonnes of sugar in 1997, the People's Daily Overseas Edition said yesterday, including some 350,000 tonnes from Cuba. Domestic output in the 1996-97 crushing season was estimated at about 6.6m tonnes.

Technical squeeze on copper intensifies

MARKETS REPORT

By Kenneth Gooding and Robert Corzine

The technical squeeze in the London Metal Exchange's copper market became more severe yesterday. The benchmark premium for copper for immediate delivery compared with three-month metal increased to $315 a tonne, up from $282.50 at Friday's close. The cost of rolling forward a short position for only one day was $23.50 yesterday.

Traders said the substantial premium was bound to attract more copper to the LME and suggested the exchange would today report another increase in its stocks, perhaps of 8,000 tonnes. On Friday it reported stocks had risen by 12,775 tonnes, taking the total to 156,000 tonnes.

Stocks are still low, however, and this is contributing to the squeeze. Traders said it was also being caused by the fact that a US investment house had gone "short" of copper in October, speculating that the price would fall, and a leading European merchant was taking advantage now the price was rising.

Those betting on silver reaching $5 a troy ounce achieved their objective yesterday. On the London bullion market silver rose to $5.03, up 11 cents, or 2.2 per cent, from Friday. Silver's rise resulted in a sympathetic upward move in the gold price, which was "fixed" in London yesterday afternoon at $353.60 a troy ounce, some $1.10 above Friday's afternoon "fix".

Crude oil prices were mainly flat. The price of the benchmark Brent Blend for March delivery was quoted at $22.28 in late London trading, up two cents on its close on Friday.

Bright future seen for silver

By Kenneth Gooding, Mining Correspondent

The use of silver in photography will increase by more than 7 per cent between 1995 and 2000, partly because of the successful launch of the Advanced Photo System, which combines many of the advantages of conventional 35mm photography with the benefits of digital cameras.

This is the main conclusion of an independent study by Mr Peter Krause, vice-president of Imaging/Technology Markets, a Florida consultancy. He suggests the photographic industry will use 234m troy ounces of silver in 2000 compared with 218m in 1995, ensuring that photography remains one of the "three pillars of demand" on which silver consumption depends. The others are jewellery and silverware, and industrial and decorative, each accounting for about 200m ounces of annual demand.

However, because the photographic industry is the main collector of scrap silver, Mr Krause also expects silver recovered by it to rise from 150m ounces in 1995 to 165m in 2000.

In his survey, distributed by the Washington based Silver Institute, he predicts global camera sales will rise, leading to more film consumption. He also forecasts stronger demand for colour photographic paper because of a rise in the average size and number of prints per order, and increased demand for reprints.

He suggests the use of 35mm cameras worldwide will increase from 610m in 1995 to 780m by 2000, while the number of single-use cameras may nearly double, from 160m to 250m.

Mr Krause predicts that by 2000 about 20 per cent of all amateur photographers will be using APS, launched a year ago by a consortium of Eastman Kokak, Fuji, Canon, Nikon and Minolta.

He says that although APS, with its small film, uses less silver than 35mm film, APS will stimulate growth in amateur photography.

Although much has been made of the challenge of digital imaging to silver, the threat is modest in amateur photography because digital technology still has higher costs and inferior quality.

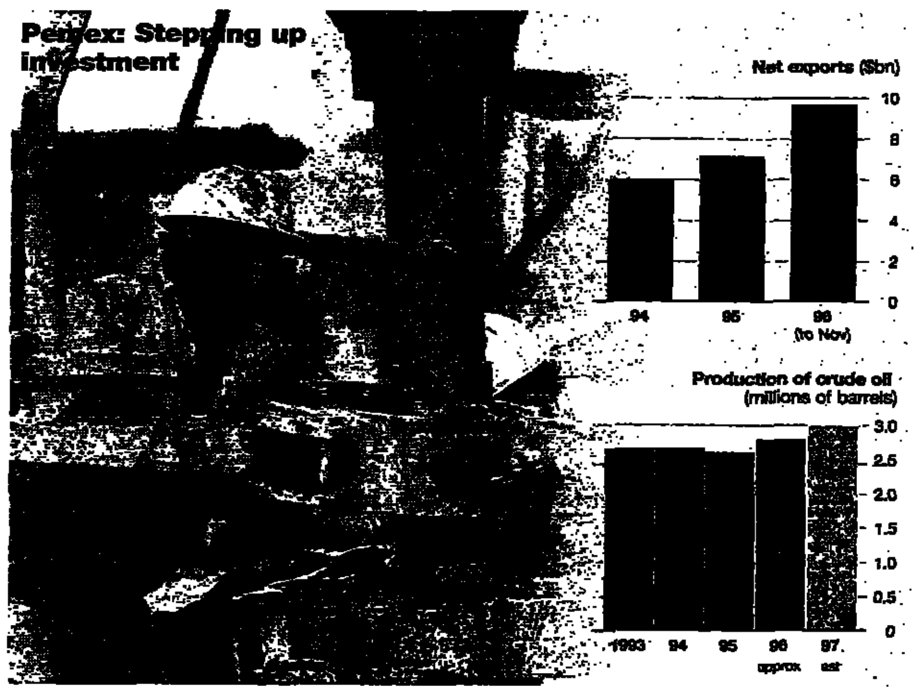
Silver-based film will remain dominant in medical radiography, Mr Krause suggests. The use of medical x-ray film will increase by about 3 per cent a year, because the world's population is increasing and getting older.

Pemex oils the path to independence

Petróleos Mexicanos, Mexico's state oil monopoly, is stepping up its biggest investment drive for a decade and a half.

Pemex plans to invest $6bn during 1997, almost twice as much as the $3.5bn it spent last year. It also hopes to gain the independence it needs to plan ahead without government interference. The developments could reshape a company which is heartily disliked by many Mexicans but which indirectly provides 40 per cent of the government's revenues.

Not since the oil boom of the late 1970s and early 1980s has Pemex placed such emphasis on increasing production. Mr Juan Manuel Romero, chief financial officer, estimates that in 1996 Pemex's production of crude oil increased by an average of 200,000 barrels a day, and that production will register a similar advance during the present year.



"To increase by 200,000 barrels a day is very significant," he says. "Some of the countries that call themselves oil producers turn out less than that."

Increases in the price of crude throughout 1996 helped boost Pemex's income, relieving it of the need to secure external financing for much of its investment programme.

However, Mr Romero says the price of crude would have to slip from the 1996 average of $18.90 a barrel to less than $14.50 before its plans were put in doubt.

For 1997 as a whole, the company will have to obtain $2.8bn in new financing, although its net debt should only increase by $400m.

The most significant investment will be in four large projects financed by a mixture of Export Credit Agency money, credits backed by assets, and commercial loans.

Of these, the most important in terms of production is the expansion of the Cantarell complex in the south-east of the country, the sixth biggest oil reserve in the world. Investment in Cantarell during 1997 alone should be $825m, during which time Pemex hopes to increase the site's production by 150,000 barrels a day.

However, the largest investment will be in the upgrade of the Cadereyta refinery in northern Mexico. The plant, which currently turns out mainly fuel oil, will be refitted to increase capacity and produce lighter products, such as diesel.

Investment in Cadereyta is expected to be $1.2bn in 1997 and will be unique among the big projects, since funds will be raised by the consortium that builds the plant rather than by Pemex itself. The concession is due to be granted in May this year.

The other two big projects are to lift the production of dry gas in northern Mexico – environmental rules in force from 1998 will impel a switch from fuel oil to natural gas – and to increase the extraction of light crude in the seas off the south-east coast of the country.

"In terms of investment, 1997 is not the biggest year," says Mr Romero. He estimates that investment in the four big projects will rise to $3bn next year and that total annual investment between 1997 and 2000 will average $5bn, compared with $3bn in the recent past. However, production is unlikely to increase by as much as 200,000 barrels every year.

At present, Pemex's expenditures and revenues are set out by the government in its budget. Legal changes in 1995 gave the company greater freedom to proceed with projects linked to specific financing but it wants further autonomy.

"We want to be like a normal company, where it is the board of directors that is ultimately responsible for running the company," says Mr Romero.

The petrochemical business was to have been privatised last year, but a political backlash forced a government retreat. Now only minority stakes in the petrochemical complexes are up for sale.

Pemex remains an emotive issue for many of the Mexican political elite, who see its formation in 1938 as a defining moment of national sovereignty. Increased investment in production is one thing. But any attempts to loosen ties between Pemex and the government may have limited success.

Daniel Dombey

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1618.5-19.5	1639-39.5
Previous	1614-15	1635-36
High/low		1641/1633
AM Official	1619-20	1640-40.5
Kerb close		1640-41
Open int.	247,408	
Total daily turnover	59,889	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1528-33	1535-36
Previous	1530-35	1535-36
High/low		1641/1635
AM Official	1530-33	1535-40
Kerb close		1637-39
Open int.	5,036	
Total daily turnover	9,046	

■ LEAD ($ per tonne)

Close	687.5-8.5	696-7
Previous	689-90	698-9
High/low	693.5/693	704/695
AM Official	693-4	702-3
Kerb close		695-6
Open int.	33,705	
Total daily turnover	8,404	

■ NICKEL ($ per tonne)

Close	7180-90	7280-90
Previous	7225-35	7320-30
High/low		7320/7260
AM Official	7210-20	7315-20
Kerb close		7290-300
Open int.	49,620	
Total daily turnover	9,046	

■ TIN ($ per tonne)

Close	5930-40	5980-85
Previous	5970-80	6020-25
High/low	5945	6020/5980
AM Official	5940-45	5995-96
Kerb close		5980-85
Open int.	15,143	
Total daily turnover	2,741	

■ ZINC, special high grade ($ per tonne)

Close	1117.5-18.5	1139-40
Previous	1113.5-14.5	1133-34
High/low		1148/1136
AM Official	1123-23.5	1144.5-45
Kerb close		1138-39
Open int.	93,431	
Total daily turnover	19,540	

■ COPPER, grade A ($ per tonne)

Close	2558-63	2253-54
Previous	2535-40	2252-53
High/low	2573/2565	2265/2245
AM Official	2572-74	2260-62
Kerb close		2247-48
Open int.	157,008	
Total daily turnover	56,682	

■ LME AM Official £/$ rate: 1.6215
LME Closing £/$ rate: 1.6230

Spot 1.6245 3 mths: 1.6217 6 mths: 1.6192 9 mths: 1.6164

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	111.20	+0.20	112.40	110.70	461	2,738
Feb	107.60	-0.55	109.00	107.40	222	3,012
Mar	105.90	-0.75	107.65	105.75	7,005	24,755
Apr	103.50	-0.75	104.70	103.30	210	1,217
May	102.40	-0.65	103.70	102.30	985	6,120
Jun	101.50	-0.50	102.50	102.40	24	761
Total					9,756	54,626

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	354.60-354.90		
Opening	353.00-353.30		
Morning fix	353.10	217.20	499.28
Afternoon fix	353.60	217.53	500.34
Day's High	354.60-354.90		
Day's Low	352.95-353.25		
Previous close	352.70-353.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....3.90 6 months 3.96
2 months ....3.94 12 months 3.99
3 months 3.94

Silver Fix	p/troy oz.	US cts equiv.
Spot	304.75	494.10
3 months	309.90	500.05
6 months	313.15	506.00
1 year	322.10	518.65

Gold Coins	$ price	£ equiv.
Krugerrand	353-355	217-219
Maple Leaf	-	-
New Sovereign	83-86	51-53

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	357.1	+4.0	-	-	-	-
Feb	357.3	+3.9	357.8	353.2	36,811	57,693
Apr	359.2	+4.1	359.7	354.9	13,078	51,181
Jun	361.5	+4.1	362.0	357.8	667	21,991
Aug	363.9	+4.1	362.8	361.5	91	8,193
Oct	366.5	+4.2	364.7	363.5	138	2,968
Total					51,786	195,384

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	360.6	+2.0	361.5	360.0	6	4
Apr	364.3	+1.7	364.5	362.0	1,860	19,498
Jul	366.6	+1.7	367.0	366.5	2	3,216
Oct	368.8	+1.7	-	-	244	2,247
Jan	371.2	+1.7	-	-	-	1,077
Total					2,106	26,042

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	125.80	+0.25	126.40	125.00	628	6,100
Jun	127.10	+0.25	127.50	127.00	118	1,844
Sep	128.25	+0.25	-	-	35	360
Dec	129.25	+0.25	-	-	-	18
Total					746	8,322

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	502.7	+7.1	501.0	498.0	3	3
Feb	502.8	+7.0	-	-	5	7
Mar	504.7	+7.0	505.5	494.0	37,123	63,854
May	509.5	+7.0	510.0	499.0	1,226	11,426
Jul	514.1	+7.0	515.0	504.0	268	8,883
Sep	519.0	+7.0	520.5	514.5	7	3,038
Total					33,041	95,272

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	24.17	+0.12	24.26	23.63	28,430	82,113
Apr	23.67	+0.14	23.73	23.18	11,602	38,391
May	23.22	+0.17	23.22	22.75	2,494	22,115
Jun	22.75	+0.16	22.75	22.26	1,601	31,761
Jul	22.15	-0.04	22.15	21.95	473	15,752
Aug	21.80	-0.03	21.80	21.65	879	14,366
Total					48,918	347,692

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	22.44	+0.18	22.44	22.00	15,453	66,360
Apr	22.01	+0.15	22.01	21.62	4,689	29,931
May	21.59	+0.13	21.59	21.25	1,639	16,295
Jun	21.15	-0.04	21.15	20.88	356	17,638
Jul	20.80	+0.05	20.80	20.55	240	11,989
Aug	20.55	+0.10	20.55	20.34	55	2,959
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	67.55	+0.78	67.75	65.30	17,744	27,273
Mar	66.50	+0.82	66.65	64.35	11,044	27,567
Apr	63.95	+0.62	64.10	62.30	3,162	13,270
May	61.15	+0.22	61.20	60.20	885	6,230
Jun	59.55	+0.32	59.55	58.30	813	5,637
Jul	58.25	-0.28	58.25	58.00	183	3,504
Total					34,288	102,918

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	199.75	-0.25	202.00	195.50	9,057	23,604
Mar	196.25	-1.25	198.50	193.75	8,794	13,577
Apr	191.50	-0.75	193.00	189.00	3,152	8,402
May	186.50	-0.25	187.75	185.25	251	3,370
Jun	184.50	-0.25	184.25	183.25	250	7,561
Jul	184.00	-0.25	183.75	183.25	8	2,683
Total					14,698	68,278

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	3.000	+0.176	3.060	2.900	37,761	13,216
Mar	2.635	+0.078	2.700	2.610	11,135	27,311
Apr	2.335	+0.058	2.390	2.320	3,154	15,597
May	2.175	+0.050	2.210	2.130	919	12,053
Jun	2.165	+0.055	2.180	2.140	503	8,513
Jul	2.145	+0.033	2.160	2.145	502	8,685
Total					57,140	155,076

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	68.40	+0.65	68.60	65.90	12,612	18,214
Mar	68.40	+0.48	68.50	66.90	7,718	23,838
Apr	70.00	+0.70	70.20	68.30	1,817	12,247
May	69.30	+0.50	69.30	68.00	938	7,826
Jun	67.15	-0.35	67.20	66.90	810	5,430
Jul	65.40	-0.25	65.40	65.00	114	2,764
Total					24,553	73,343

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	93.50	-1.00	94.25	93.50	115	1,651
May	95.60	-0.90	96.25	95.75	170	2,839
Jul	97.50	-0.85	98.00	97.85	6	445
Sep	91.25	-0.35	91.25	91.25	2	17
Nov	93.25	-0.35	93.30	93.25	31	1,139
Jan	95.25	-0.35	-	-	-	36
Total					324	6,327

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	371.50	-3.50	376.00	371.00	4,589	27,208
May	356.00	-2.00	358.00	355.00	1,232	10,207
Jul	344.25	-	345.00	342.50	2,786	24,051
Sep	347.00	+0.50	347.50	345.00	281	1,516
Dec	357.00	+0.75	358.00	354.50	244	1,288
Jul	342.00	-	343.00	342.00	2	128
Total					9,132	64,398

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	275.00	+2.25	275.50	271.75	21,985	123,376
May	272.75	+2.00	273.50	269.25	7,887	65,412
Jul	271.00	+1.25	271.50	268.25	5,979	62,850
Sep	266.50	-	266.75	265.00	1,104	8,942
Dec	267.75	-	268.25	268.25	2,512	43,128
Mar	273.50	+0.25	273.50	271.75	126	2,592
Total					39,852	308,880

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	92.50	-0.50	-	-	-	346
May	93.50	-0.50	-	-	-	163
Sep	90.50	-0.50	-	-	-	28
Nov	92.50	-0.50	92.50	92.50	15	256
Jan	94.50	-0.50	-	-	-	-
Total					15	793

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	749.75	+2.25	751.00	743.00	22,257	75,997
May	750.50	+2.75	751.50	744.00	5,215	35,667
Jul	751.25	+2.75	753.00	745.00	4,213	32,339
Aug	747.25	+3.75	747.75	741.50	168	4,934
Sep	716.50	+1.50	717.00	713.00	216	1,349
Nov	692.00	+1.25	693.00	688.50	1,932	15,112
Total					34,038	165,981

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	24.36	+0.15	24.37	24.15	4,546	46,353
May	24.74	+0.16	24.76	24.54	1,007	18,026
Jul	25.07	+0.11	25.08	24.91	1,561	14,814
Aug	25.18	+0.11	25.18	25.07	137	2,798
Sep	25.28	+0.14	25.28	25.18	20	2,679
Oct	25.42	+0.07	25.43	25.35	20	711
Total					7,886	89,724

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	238.1	-	239.0	236.1	8,212	39,125
May	234.7	-	235.7	233.1	2,254	20,747
Jul	233.8	+0.4	234.2	232.4	3,295	19,135
Aug	230.8	+0.2	231.0	229.9	205	3,149
Sep	224.9	+0.3	228.9	224.0	30	2,741
Oct	213.5	-0.7	214.5	213.5	1	1,038
Total					14,258	88,378

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	51.0	-	-	-	-	-
Apr	57.0	+0.5	57.5	56.5	16	1,153
May	62.5	-0.5	63.0	62.5	15	77
Jun	75.0	+2.0	-	-	-	-
Nov	66.0	-	-	-	-	2
Apr	111.0	+2.0	111.0	110.0	14	566
Total					45	1,798

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1385	-5	1385	1385	5	883
Feb	1335	-17	1340	1335	38	503
Mar	1385	-19	1395	1385	53	544
Apr	1430	-6	1430	1430	2	1,026
Jul	1215	-5	1210	1210	12	538
Oct	1355	-	-	-	-	139
Total					118	3,683

	Close	Prev
BFI	1394	1407

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	895	+8	906	886	3,196	35,839
May	915	+5	926	909	2,624	23,143
Jul	935	+5	943	930	496	11,361
Sep	955	+5	963	952	320	12,746
Dec	966	+2	974	960	835	10,022
Mar	979	+5	986	974	375	17,640
Total					8,006	126,219

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1324	+16	1326	1295	6,578	25,130
May	1357	+18	1358	1329	2,166	22,589
Jul	1383	+17	1385	1356	709	13,277
Sep	1408	+15	1409	1383	126	8,909
Dec	1431	+18	1430	1415	117	3,143
Mar	1454	+20	1454	1433	353	12,576
Total					18,074	91,108

■ COCOA (ICCO) (SDR's/tonne)

Jan 24	Price	Prev. day
Daily	998.62	974.51

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1514	-31	1505	1470	325	1,244
Mar	1475	-43	1485	1445	3,603	19,724
May	1474	-41	1480	1437	3,218	19,506
Jul	1470	-45	1478	1441	808	5,216
Sep	1460	-43	1465	1437	278	2,160
Nov	1450	-41	1451	1435	46	1,087
Total					8,278	49,081

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	136.60	-0.30	139.40	133.50	5,869	24,083
May	131.75	+0.45	133.80	127.50	2,542	9,711
Jul	128.35	+0.70	130.10	124.00	762	4,342
Sep	123.25	-0.25	125.50	119.70	364	2,633
Dec	118.15	-0.05	119.00	114.75	314	1,866
Mar	113.50	+0.40	115.00	111.00	143	479
Total					10,002	43,237

■ COFFEE (ICO) (US cents/pound)

Jan 24		Prev. day
Comp. daily	107.73	110.06
15 day average	98.29	97.19

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	298.1	+2.5	298.1	295.5	2,652	11,767
May	298.2	+2.4	298.0	295.8	336	7,912
Aug	298.5	+2.2	298.6	296.1	111	2,989
Oct	296.3	+2.5	296.6	295.1	77	1,854
Dec	297.0	+1.7	298.0	294.2	24	617
Mar	299.3	+2.0	300.0	295.6	11	396
Total					3,221	25,840

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.44	+0.20	10.45	10.27	10,685	71,358
May	10.44	+0.13	10.45	10.35	5,720	36,511
Jul	10.43	+0.14	10.43	10.33	2,103	27,435
Oct	10.45	+0.12	10.45	10.35	731	17,321
Mar	10.47	+0.12	10.47	10.37	248	6,347
May	10.51	+0.12	10.48	10.46	5	1,202
Total					19,494	160,765

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	75.26	+0.66	75.30	74.30	9,978	21,889
May	76.53	+0.53	76.60	75.75	3,619	18,040
Jul	77.55	+0.50	77.60	76.75	1,377	8,156
Oct	77.50	+0.45	77.50	77.00	49	1,547
Dec	77.44	+0.46	77.45	76.91	1,697	11,758
Mar	78.30	+0.45	78.20	77.95	21	713
Total					16,751	62,585

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	93.50	+10.00	93.50	85.10	1,466	20,293
May	91.40	+5.00	91.40	88.50	611	6,555
Jul	94.30	+5.00	94.30	91.60	208	2,000
Sep	97.10	+5.00	97.10	94.50	347	1,698
Nov	99.30	+5.00	99.00	95.75	55	381
Jan	100.75	+5.00	-	-	63	175
Total					2,860	31,219

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jan 27	Jan 24	month ago	year ago
1956.7	1957.0	-	2161.7

■ CRB Futures (Base: 1967 = 100)

Jan 24	Jan 23	month ago	year ago
241.11	240.37		

■ GSCI Spot (Base: 1970 = 100)

Jan 24	Jan 23	month ago	year ago
207.46	207.60	234.82	188.13

Tea

There was improved and more general demand this week reports the Tea Brokers Association. Landed brightest and coloury medium East Africans were firm to 2 pence/kg dearer, but brighter mediums lost 2-3 pence/kg. Ceylons were mainly dearer. Offshore, there was good demand at firm to dearer rates. Quotations: Landed Best available: 152p/kg. Good: 122p/kg. Good medium: 114p/kg. Medium: 104p/kg. Low medium: 88p/kg nom. The highest price realised this week was 152p/kg for a Burundi.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	64.975	+0.325	65.250	64.375	5,226	23,303
Apr	66.850	+0.925	67.000	66.000	5,818	36,480
Jun	64.325	+0.700	64.450	63.950	2,149	13,164
Aug	64.100	+0.500	64.300	63.750	1,515	14,813
Oct	66.875	+0.325	67.000	66.575	767	8,164
Dec	69.350	+0.675	69.500	68.750	198	3,246
Total					15,872	100,160

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	77.175	+0.225	77.550	76.500	2,636	9,479
Apr	77.000	+0.825	77.200	76.025	2,446	11,378
Jun	81.200	+0.700	81.400	80.350	882	7,119
Jul	79.000	+0.650	79.050	78.050	224	1,570
Aug	74.950	+0.450	75.000	74.200	244	1,428
Oct	67.925	+0.525	68.000	67.300	136	1,353
Total					6,658	33,628

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	80.550	-0.550	82.300	79.650	1,879	3,786
Mar	80.500	-0.600	82.200	79.700	587	1,324
May	80.775	-0.100	82.300	80.000	516	2,060
Jul	80.575	+0.575	80.650	79.450	126	516
Aug	76.700	+0.200	78.400	76.500	23	427
Total					3,131	8,113

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1550	101	120	11	36
1650	38	65	47	79
1750	9	31	118	143

■ COPPER (Grade A) LME	Mar	Jun	Mar	Jun
2150	158	141	15	82
2250	87	93	44	132
2350	41	58	96	195

■ COFFEE LIFFE	Mar	May	Mar	May
1450	74	119	49	97
1500	49	100	74	133
1550	35	84	110	168

■ COCOA LIFFE	Mar	May	Mar	May
875	27	52	7	12
900	13	36	18	21
925	6	24	36	34

■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
2150	-	-	-	-
2200	-	-	-	26
2250	-	28	-	57

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.36-0.45w	+0.035
Brent Blend (dated)	$22.54-2.57	-0.215
Brent Blend (Mar)	$22.26-2.28	-0.085
W.T.I.	$24.08-4.11w	-0.02

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$224-226	-1
Gas Oil	$204-205	
Heavy Fuel Oil	$94-96	-4
Naphtha	$221-222	-3
Jet fuel	$233-234	
Diesel	$216-218	

■ NATURAL GAS (Pence/therm)

Bacton (Feb)	18.20-18.50	-0.55

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

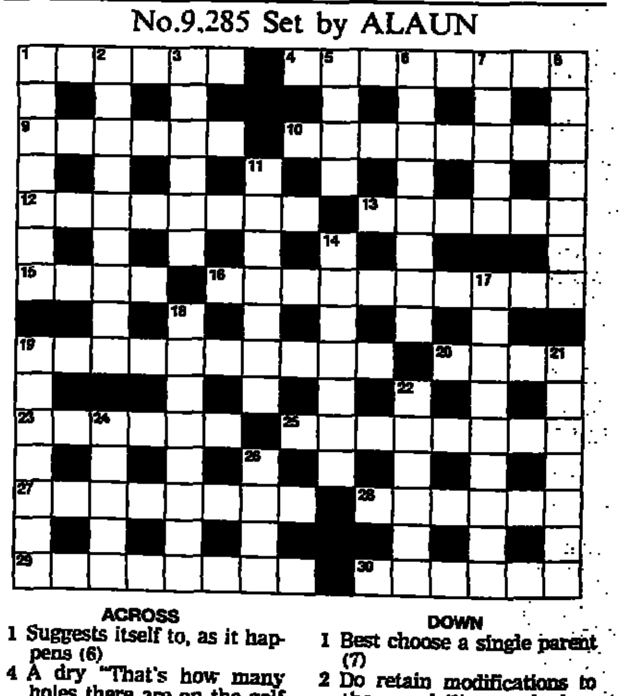
Gold (per troy oz)‡	$354.75	+1.90
Silver (per troy oz)‡	494.10c	+2.60
Platinum (per troy oz.)	$358.00	+0.25
Palladium (per troy oz.)	$122.50	+0.50
Copper	117.0c	+3.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.64r	-0.04
Tin (New York)	279.50	-1.00
Cattle (live weight)	100.37p	-2.22*
Sheep (live weight)	144.27p	+7.41*
Pigs (live weight)†	74.02p	-10.59*
Lon. day sugar (raw)	$250.80	
Lon. day sugar (wte)	$298.80	
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	78.25p	
Rubber (Mar)♥	78.25p	
Rubber (KL RSS No1)	302.0r	-1.5
Coconut Oil (Phil)§	780.0y	
Palm Oil (Malay.)§	570.0y	+2.5
Copra (Phil)§	$505.0y	
Soyabeans (US)	203.0r	
Cotton Outlook'A' index	80.55	
Wooltops (64s Super)	415p	-5

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Mar y Feb/Mar ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,827 head of pigs sold. ♦ New month of January

JOTTER PAD

CROSSWORD

No.9,285 Set by ALAUN



ACROSS
1 Suggests itself to, as it happens (6)
4 A dry "That's how many holes there are on the golf course" (8)
9 Seaweed may need a brush (6)
10 Showing the father went back by himself (8)
12 Meted out a quantity of a certain drink to imbibe (8)
13 Soft when it comes to money (6)
15 Object to the exhortation to be careful (4)
16 Return from hell? (5,2,3)
19 Gave one some wrinkles on roofing (10)
20 Damage a limb, taken to hospital (4)
23 Leaves to avoid doing the gardening (6)
25 Cut off also, with the tide having gone out (8)
27 They're bright, but not unbearably so! (8)
28 Set for a difficult round one, having entered (6)
29 Everything about it reveals they're dangerous for ships (8)
30 Turning, cry "It is a bird!" (6)

DOWN
1 Best choose a single parent (7)
2 Do retain modifications to the vessel (9)
3 Arrive to find the list on display (4,2)
5 See the point the agent is making (4)
6 Took advantage of and continued to do business with (6,2)
7 The tendency is to get right up close to it (5)
8 Learn to dance afterwards (5,2)
11 Are not caught? I don't believe it! (3,4)
14 Retreat from a defeat (7)
17 Two sailors in "The Pig" are trouble makers (5,1,3)
18 Beyond doubt, plump and healthy (4,4)
19 Wicked things! (7)
21 Pretended to have deciphered it (4,3)
22 Verbal excuses, if you don't mind! (6)
24 Beat up first class woman (5)
26 Say you won't recognise (4)

Solution to Saturday's prize puzzle on Saturday February 8. Solution to yesterday's prize puzzle on Monday February 10.

FT MANAGED FUNDS SERVICE

Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

	Selling Price	+/-	Yield Gr's
A$ Accum	A$10.395	+0.008	5.10
ASch Accum	Sch250.26	+0.01	2.10
C$ Accum	C$16.810	+0.001	2.10
DM Accum	DM38.517	+0.002	1.60
DFl Accum	Dfl31.800	+0.001	1.70
ECU Accum	Ecu13.500	+0.001	2.80
FFr Accum	FFr67.494	+0.004	2.20
HK$ Accum	HK$122.68	+0.02	4.00
Lire Accum	L34025	+4	8.40
NZ$ Accum	NZ$40.666	+0.007	6.60
NKr Accum	NKr113.38	—	2.10
S$ Accum	S$25.186	+0.001	1.40
SPta Accum	Pta2778.2	+0.4	5.90
£ Accum	£13.297	+0.002	5.70
SKr Accum	SKr122.13	+0.01	2.80
SFr Accum	SFr20.429	+0.001	0.50
US$ Accum	$23.788	+0.002	4.40
Yen Accum	Y2801.1	—	0.10

Prices for dealing January 27

M & G (Guernsey) Ltd

Westbourne, The Grange, St Peter Port 01481 723893

	Init Charge	Selling Price	Buying Price	+/-	Yield Gr's
Mixed Global Fd	0	1834.3	1944.4	-20.1	0.84
Mixed Gold	0	3858.8	4097.8	+59.2	0.388
(Accum. Units)	0	7370.8	7813.2	+111	0.388
Mixed UK Fd	0	1068.1	1130.1	-0.7	3.25
(Accum Units)	0	2621.3	2778.6	-1.8	3.25

Prudential Fund Managers (Guernsey) Ltd

PO Box 81, St Peter Port Guernsey 01481 707000

Prudential Money Funds Ltd

	Init Charge	Selling Price	Buying Price	+/-	Yield Gr's
Managed Sterling		148.9	149.0	+0.4	4.88
Managed Dollar	5	$14.00	14.01	-0.03	4.87
Dollar Deposit		$10.08	10.10	—	3.70

Rothschild Asset Management (CI) Ltd

PO Box 242, St Peter Port, Guernsey 01481 716700

Royal Bank of Canada Int'l Money Market Fd

Money Market Plus

	Selling Price
US$ Accum Class	$1.2094
US$ Distrib Class	$1.0103
C$ Accum Class	C$1.2844
C$ Distrib Class	C$1.0225
Sterling Accum Class	£1.3141
Sterling Distrib Class	£1.0366
SwF Accum Class	SFr1.1254
SwF Distrib Class	SFr1.0084
DM Accum Class	DM1.2210
DM Distrib Class	DM1.0160
Yen Accum Class	Y1.0369
Yen Distrib Class	Y0.9990

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stalons Fund Managers (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

U.S. Advisers (Guernsey) Limited

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (z)

4 Rue Jean Monnet, L-2180 Luxembourg 352 424943220

Abtrust Fund Mngrs Luxembourg SA (z)

4 Boulevard Royal L 2449 Luxembourg 00 352 227001

Aetna Master Fund (m) (x)

21 avenue de la Liberte, L-1931, Lux 00 352 479 98500

Fidelity Funds - Contd.

Bond Funds

	Selling Price	+ or -	Yield Gr's
European	Ecu17.52	—	5.94
International	$1.038	+0.001	6.44
US Dollar	$8.679	-0.006	6.68
Sterling	£9.257	-0.001	7.11
Balanced			
European Balanced	DM14.03	-0.07	1.82

Prices as at January 24

Fleming Group (s)

6 Route De Treves L-2633 Senningerberg Luxembourg

Fleming Flagship Fund (daily dealing)

Fleming Flagship Series II (Daily Dealing)

Mercury Asset Management S.A. - Contd.

ACM Global Investment - Contd.

Credit Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

State Street Luxembourg SA

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual Hong Kong				
Dollar Money Market	$0.989	1.068	—	-
Sterling Money Market	£1.627	1.704	—	-
International Fixed Interest	$1.109	1.182	—	-
UK Fixed Interest	£1.092	1.165	—	-
Dollar Managed	$1.072	1.153	—	-
Sterling Managed	£1.055	1.134	—	-
European Stockmarket	£1.341	1.442	—	-
International Stockmarket	$1.094	1.176	—	-
Pacific Stockmarket	$0.986	1.059	—	-
Emerging Asian Stockmarket	$1.067	1.147	—	-
Japanese Stockmarket	$0.762	0.819	—	-
Hong Kong Stockmarket	$1.490	1.602	—	-
Dollar Special Market	$0.946	1.016	—	-
Sterling Special Market	£0.901	0.969	—	-
Latin American Stockmarket	$1.211	1.303	—	-
Old Mutual International (Guernsey) Ltd				
PO Box 121, St. Peter Port Guernsey 01481 726726				
£ Stg Managed	£4.572	4.916	—	-
£ European Stockmkt	£5.534	5.951	—	-
£ UK Stockmkt	£5.367	5.771	—	-
£ Sterling Special Mkt	£4.335	4.663	—	-
£ UK Fixed Interest	£4.905	5.277	—	-
£ Stg Money Mkt	£3.003	3.229	—	-
£ Capital Guarantee	£1.730	1.860	—	-
$ Dollar Managed	$3.419	3.675	—	-
$ Intl Stockmkt	$4.597	4.943	—	-
$ US Dollar Bond	$1.385	1.489	—	-
$ Nth Am Stkmkt	$4.099	4.408	—	-
$ Japan Stockmkt	$1.380	1.483	—	-
$ Pacific Stockmkt	$5.065	5.446	—	-
$ Emerging Asian Stockmkt	$2.432	2.615	—	-
$ Hong Kong Stockmkt	$5.315	5.941	—	-
$ Intl Fixed Interest	$3.868	4.159	—	-
$ Intl Mngd Currency	$2.465	2.654	—	-
$ Dollar Money Mkt	$2.288	2.460	—	-
$ Latin American Stkmkt	$1.064	1.144	—	-

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
GAM U.S.	$374.33		—	-
GAM Universal US$	$216.39		—	-
GAM Worldwide	$882.46		-6.45	-
GAMerica	$892.85		—	-
GAMut Investments	$1298.36		—	-
GSAM Composite	$435.39		+10.46	-
GSAM CHF Composite	SFr122.58		+3.72	-
GSAM DM Composite	DM146.05		+5.39	-
GSAM GBP Composite Inc	£101.30		+1.25	-
GSAM Money Mkt US$	$100.40		+0.02	4.78
Do Sterling	£100.44		+0.02	5.50
Do Swiss Franc	SFr100.07		—	0.87
Do Deutschmark	DM100.18		+0.01	2.19
GSAM Oracle	$197.01		—	-

	Selling Price	Buying Price	+ or -	Yield Gross
JF Japan Tech Tst	Y28038	29583	-68	-
JF Korea Trust	$7.31	7.74	+0.04	-
JF Malaysia Tst	$35.86	37.73	-0.24	-
JF New Zealand Tst	$20.24	21.43	-0.24	-
JF Nomura Asia Tst	$18.19		—	-
JF Pacific Inc Tst(z)	$14.86	15.73	-0.14	-
JF Pacific Smlr Cos Tst	$7.63	8.08	-0.04	-
JF Pacific Secs Tst(z)	$56.55	59.78	-0.59	-
JF Pakistan Trust	$3.22	3.42	+0.09	-
JF Philippine Tst	$108.83	115.15	-0.40	-
JF Taiwan Trust	$12.19	12.90	+0.08	-
JF Thailand Tst	$30.17	31.93	-0.23	-
JF India	$21.38	22.68	+0.03	-
JF Indonesia Trust	$11.75	12.44	-0.14	-

	Selling Price	Buying Price	+ or -	Yield Gross
Global Asset Management - Contd.				
GAM Strategic				
Diversity Strategic A	132.84		—	-
Diversity Strategic B	130.28		—	-
European Strategic A	135.82		—	-
European Strategic B	130.80		—	-
Trading Strategic A	128.25		—	-
Trading Strategic B	124.14		—	-
Developing Mkts Strategic A	122.41		—	-

	Selling Price	Buying Price	+ or -	Yield Gross
Jardine Fleming Unit Trusts Ltd - Contd.				
International Funds				
JF American Growth Tst	$29.44	31.16	-0.18	-
JF Continental Euro Tst	$4.47	4.74	-0.03	-
JF European Tst(z)	$19.24	20.36	-0.10	-
JF Germany Tst	DM13.12	13.89	-0.08	-
JF Global Bond & Currency Fd	$17.78	18.80	-0.03	7.2
JF Global Convertibles Tst	$14.60	15.46	-0.07	-
JF Global Securities Tst	$25.04	26.50	-0.14	-

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

ENGINEERING - Cont.

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	g	£21⅝	–	*£23½	£20¼	1,734	3.4	ϕ
Barlow	§	854xd	+⅛	£10⅞	651	1,285	2.3	13.4
Gold Flds Prop R.	†	134½	+½	178	120	13.8	6.5	10.3
MK Props.		65	–	95	60	2.61	13.2	–
SASOL	♥	645	–	710	517	3,777	1.6	–
SA Brews		£16⅞xd	+⅞	£25⅛	£13⅛	4,852	2.0	ϕ
Standard Bank		£28⅛	+⅝	£32⅞	£21	2,817	1.5	22.1
Tiger Oats		780	–	1282	770	1,188	2.2	15.9
Tongaat-Hulett		758½xd	+2¼	1183	676¼	717.8	2.3	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ∯ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a

FD (Foreign Income Dividend) R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

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LONDON STOCK EXCHANGE

Sell programme weighs heavily on equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London's equity market fought gamely but unsuccessfully to resist the bearish influences from across the Atlantic where Wall Street followed up last Friday's sell-off with another uncertain showing.

The Dow Jones Industrial Average, which fell over 153 points on Thursday and Friday, was down over 40 points shortly after the start of trading in New York yesterday but rallied to show a small gain ninety minutes after London closed.

Helped by a £230m counter bid for Newman Tonks and a series of bullish stories emerging in the pharmaceuticals and other sectors, the FTSE 100 index recouped an initial decline before slipping again in the afternoon and closing on a dull note. It settled 6.8 down at 4,212.0.

Further pressure was brought to bear on the stock market with talk of a large-scale trading programme, executed late in the session by one of the big US brokers and weighted heavily on the sell side.

Dealers said the full impact of the programme had not been felt in the market by the close and would probably cast a shadow over equities at the outset of trading this morning.

The other FTSE indices also showed relatively minor changes, with the 250 ending 4.9 down at 4,593.1 and the SmallCap 0.5 easier at 2,291.9.

News that fourth quarter gross domestic product had risen 0.8 per cent, giving an annual 2.6 per cent rise, was seen as a calming influence during the morning, although gains from the news proved only fleeting.

The rise in GDP was exactly in line with market expectations and seen by some as vindicating the decision by Mr Kenneth Clarke, the chancellor, not to increase UK interest rates after his last meeting with Mr Eddie George, the governor of the Bank of England.

One casualty of yesterday's subdued trading session was the level of turnover in the market. At the 6pm count turnover was 685m shares.

Dealers said activity in equities had fallen away sharply last week, when the value of customer, or retail, business fell below the £1bn mark for three out of the five trading days. Institutions are said to be holding off from the market because of its increasing volatility.

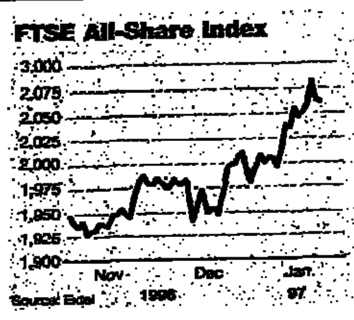
Drug stocks extended last week's strong gains, on a mixture of fundamentals and continued bid-merger speculation, which drove Zeneca and SmithKline Beecham ahead.

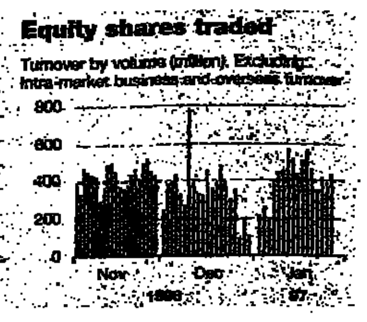
Glaxo Wellcome was lifted by positive news on one of its anti-Aids preparations.

Oil exploration stocks attracted keen support amid speculation of further drilling success for Enterprise Oil, the second best performer in the Footsie last year.

But the food retailers took another hammering after one of the independent retail research houses forecast an extensive and margin-damaging price war.

Marketmakers remained on red alert for further takeover stories but were also aware of the scope for a sell-off in global markets.





Indices and ratios

FTSE 100	4212.0	-6.8
FTSE 250	4593.1	-4.9
FTSE 350	2090.3	-3.1
FTSE All-Share	2063.71	-2.91
FTSE All-Share yield	3.58	3.58
FT 30	2839.5	-3.6
FTSE Non-Fins p/e	18.67	18.69
FTSE 100 Fut Mar	4215.0	-9.0
10 yr Gilt yield	7.52	7.49
Long gilt/equity yld ratio	2.10	2.09

Best performing sectors
1 Building & Construction .... +1.5
2 Gas Distribution .... +0.9
3 Pharmaceuticals .... +0.9
4 Oil Exploration .... +0.9
5 Chemicals .... +0.6

Worst performing sectors
1 Tobacco .... -2.2
2 Retailers: Food .... -1.9
3 Electricity .... -1.4
4 Engineering: Vehicles .... -1.2
5 Insurance .... -1.2

Drilling lift for explorer

By Peter John, Joel Kibazo and Lisa Wood

Oil in the Gulf of Mexico continued to provide good news for the exploration and production groups.

Enterprise Oil gained 9½ to 633p on talk that the company had made a discovery in a well in the shallow water of the Gulf.

Enterprise is in closed season at the moment but after the market closed Mr Greg Panagos of Pennzoil, Enterprise's operating partner in the Gulf, confirmed the find.

He said: "We have found crude oil and it looks like its commercial. It's an attractive discovery on the surface but we haven't done a test on the well."

One analyst estimated the find could be 15m barrels, which would be worth up to 4p on the share price. Although unlikely to be very large, it is significant because it is the first discovery from the partnership since it was announced in September. So far, only four blocks have been explored and there are another 98 blocks to be investigated during the three-year deal.

There was also broker support following an upbeat meeting on Friday between analysts and Mr Pierre Jungels, the company's new chief executive.

Meanwhile, British Borneo, the shooting star of the sub-sector, lifted 37 to 1178½p ahead of a meeting with analysts tomorrow.

Nervous trading in Anglo-US engineering group LucasVarity left the shares trailing 7¼ to 205½p, the worst performer in the FTSE 100, after trade of 7m.

The group is to hold a conference call today to update analysts on progress with its restructuring programme but news on the dividend is expected to be at the top of analysts' questions.

Last week, LucasVarity played down market worries that it is considering suspending dividend payments and rewarding investors through share buy-backs. The company said such rumours were "totally unsubstantiated" but dealers remain concerned and one said: "I still think something major is afoot."

Dealers also remain concerned about reports suggesting the board is finalising plans to change the name of the company.

Yesterday, LucasVarity said it plans to sell French-based car parts subsidiary Sasic and to convert its Lucas Aerospace FMS defence aeronautics operation into a subsidiary, with a view to selling it. However, talks on a sale have yet to begin.

Food retailers were again among the worst performers in the FTSE 100 after being adversely affected by a report from Verdict, the market research organisation.

It warned that a price war among the big supermarkets was more likely than it had been for 15 years. The last major price war was led by Tesco in 1977 in its "Check-out" campaign.

The Verdict study exacerbated market worries. Last Friday J Sainsbury, the UK's second largest supermarket chain, issued a profits warning.

However, analysts played down the Verdict report. One said there was always a possibility of a price war but it was a crude weapon in modern retailing. There might be some further manoeuvring on price but it would fall well short of a war.

Sainsbury's problems, he said, were less related to price and more to do with its stores lacking the service, quality of goods and ambience of some of its competitors. Sainsbury, he said, has rested on its laurels for too long. Sainsbury fell 9 to 332p, the lowest level since November 1991.

Safeway softened 13½ to 376p and Tesco, the biggest supermarket group by sales and market capitalisation, weakened 5 to 355p.

Royal Bank of Scotland was the focus of a cautious view on the banking sector as Panmure Gordon slapped a sell recommendation on the shares.

Mr David Poutney of Panmure believes the shares are over-rated in view of the interest rate trend in the US, where the bank generates a quarter of its profits. He said that the woes of Direct Line, Royal Bank's insurance arm, are not over and takeover talk, which has helped push the shares to a prospective price/earnings ratio of 12 against a sector average of 11, was not credible. RBoS eased 2½ to 586½p.

Mr Poutney also removed his buy recommendations from HSBC, which fell 4 to 1442p in the ordinaries, and Barclays, which gained 1½ to 1145p. Meanwhile, Abbey National dropped 9 to 753p after negative press comment following the stock's recent strong gains.

ICI moved forward 14¼ to 757½p with dealers citing a bounce as concerns about a big takeover faded. The worries were offset by a small German acquisition.

Glaxo Wellcome was up 8½ at 957½p after the company said over the weekend that early clinical trials of some of its compounds showed favourable results in treating HIV.

SmithKline Beecham rose 11½ to 875p following a press report suggesting a possible link between the UK pharmaceutical concern and Schering-Plough of the US.

Xenova moved forward 25 to 295p on news that it had entered into a research collaboration with Bristol-Myers Squibb of the US.

Shares in UK video and security equipment group Norbain lost nearly 25 per cent of their value after the company issued a profits warning. The shares closed 106½ off at 332½p.

The agreed bid for Newman Tonks from Ingersoll-Rand, which trumped FKI's offer, saw Newman Tonks shares jump 29 to 180½p.

House builders were among the best performers in the market, with Berkeley Group hardening 23½ to 697½p and Barratt Developments rising 7 to 283p.

Berkeley is one of Robert Fleming Securities' dozen best buys for 1997. The broker said recently that Berkeley looked the best placed of the housebuilders to benefit from a strong housing recovery which would persist through the transitional period of the election. Its market niche and excellent management, said Fleming, stood it in good stead, while its land-buying ability gave it the competitive advantage to outperform its peers.

Hay & Robertson, the maker of Manchester United pyjamas, among other things, where the shares have risen more than 200 per cent over the past 12 months, scored another 11 to close at 151½p.

Bargain hunting was said to be behind the advance in Rentokil Initial. The shares ended the session 10 ahead at 452½p, the best performer in the FTSE 100.

Among property issues, Land Securities fell 18 to 767½p after announcing plans for issuing £200m convertible bonds due in 2007.

FT 30 INDEX

	Jan 27	Jan 24	Jan 23	Jan 22	Jan 21	Yr ago	*High	*Low
FT 30	2839.5	2843.1	2865.8	2842.5	2827.2	2769.4	2885.2	2668.8
Ord. div. yield	4.07	4.07	4.09	4.09	4.10	3.90	4.22	3.76
P/E ratio net	17.49	17.48	17.42	17.42	17.36	16.87	17.49	15.80
P/E ratio nil	17.31	17.31	17.25	17.25	17.19	16.46	17.39	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2838.9	2844.5	2840.6	2839.2	2843.0	2839.8	2840.9	2839.7	2838.0	2847.5	2837.3

	Jan 27	Jan 24	Jan 23	Jan 22	Jan 21	Yr ago
SEAQ bargains	43,323	46,360	46,629	46,081	48,323	33,972
Equity turnover (£m)†	-	912.3	892.2	1140.1	1033.4	1463.5
Equity bargains†	-	20,372	21,814	22,713	25,451	40,313
Shares traded (m)†	-	612.9	434.5	390.0	415.5	593.6

†Excluding intra-market and Crest business and overseas turnover.

	Jan 27	Jan 24	Jan 23	Jan 22	Jan 21	Yr ago	*High	*Low
FTSE AIM	1098.0	1095.4	1096.6	1089.7	1089.7	1053.6	1140.4	965.7

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	614	Total Highs	146	Total contracts	28,058
Total Falls	657	Total Lows	46	Calls	9,384
Same	1,248			Puts	18,674

Jan 27 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4216.0	4215.0	-9.0	4227.0	4206.0	8628	61413
Jun	4237.0	4235.0	-9.5	4237.0	4232.0	651	4137
Sep	4260.0	4253.0	-10.0	4260.0	4260.0	10	1386

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4609.0	4625.0	-17.0	4625.0	4609.0	51	5762

FTSE 100 INDEX OPTION (LIFFE) (*4211) £10 per full index point

	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P
Feb	191½	15	148	21½	109	33	73	50	45	73½	24	147½	11½	147½	5	197
Mar	202	37	162	49	128½	61½	94½	80½	67½	103½	46½	132½	30	166½	18½	207
Apr	216	53	178	65	148½	83½	115	102	89½	126	65	151	47	182½	38	217
May	245	70½	207½	83	174	99	139½	115	110½	136½	84	160½	61½	189½	43½	223
Jun†			222½	94			159	129			109	177½			70	239½

Calls 2,586 Puts 6,620

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P
Feb	211½	12½	167	18	125½	26½	88	39	57	57½	33	83½	16½	117	7½	157½
Mar	221½	33	181	42	144	54½	110½	71	81½	91½	58½	118	39½	149½	25	183½
Apr	236	47½	198	59	162½	73	130	90	161½	110½	76½	135	55½	163	38½	195½
Jun	278½	73½			289½	102			149½	139½			100½	188½		
Sep†	327½	98			258½	125½			196	159½			142	201½		

Calls 3,313 Puts 6,308 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	1996/97 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§166	F.P.	36.0	174½	170½	Aquarius	174½		W6.85	2.0	4.9	12.7
§	P.P.	26.5	57½	49½	BZW Endwmt Red	56		-	-	-	-
100	F.P.	12.6	93½	89½	Enterprise Vn Cp	89½		-	-	-	-
	F.P.	14.2	55	55	†Epicore Nwork	55		-	-	-	-
§100	F.P.	21.7	286	209½	†GB Railways	248	-13	-	-	-	-
§145	F.P.	12.5	175	150	†Hardy Underwrtg	170		-	-	-	-
§	F.P.	5.2	3¾	3¼	†John Lewis	3¼		-	-	-	20.1
*	F.P.	8.38	60	45½	†Netcall	60	+9½	-	-	-	-
	F.P.	34.7	72½	42½	†Oxford Biomedica	54½	-1	-	-	-	-
§65	F.P.	15.9	80½	65½	Parkwood	74½		R1.82	1.3	3.1	25.0
§68.5	F.P.	12.8	70½	52½	†Pilat Tech Intl	57½		b-	-	-	16.1
§60	F.P.	48.1	111½	97	Sheffield United	97	-4½	-	-	-	-
§585	F.P.	60.1	757½	652½	Sunderland	737½		R4.8	7.0	0.8	17.6
*	F.P.	13.3	135	125	†Sutton Harbour	133½xd		Z1.2	1.8	1.1	18.6

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 24	% chg on day	Jan 23	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1709.85	+1.6	1682.76	2245.23	1.83	-	2520.73	1674.81
Regional Indices								
Africa (14)	1947.12	+1.5	1918.45	3052.18	4.47	40.74	3553.86	1918.45
Australasia (7)	1974.60	-0.4	1981.54	2641.76	2.57	21.32	2927.34	1974.60
North America (12)	1612.67	+2.0	1581.26	1958.89	0.81	59.99	2186.39	1550.58

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jan 27	Day's chge%	Jan 24	Jan 23	Jan 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4212.0	-0.2	4218.8	4271.5	4218.1	3734.6	3.70	2.05	16.48	4.31	1763.91
FTSE 250	4593.1	-0.1	4598.0	4616.0	4587.0	4069.1	3.39	1.50	24.62	4.94	1884.71
FTSE 250 ex IT	4644.0	-0.1	4647.8	4664.4	4637.3	4092.6	3.47	1.52	23.69	4.89	1910.18
FTSE 350	2090.3	-0.2	2093.4	2115.8	2092.5	1854.9	3.63	1.94	17.72	2.16	1788.48
FTSE 350 Higher Yield	2007.1	-0.4	2014.8	2038.4	2014.4	1854.1	4.75	1.83	14.39	2.56	1449.24
FTSE 350 Lower Yield	2180.8	+0.1	2179.0	2199.9	2177.4	1860.7	2.51	2.16	23.09	1.72	1533.18
FTSE SmallCap	2291.89	.....	2292.42	2294.82	2285.56	2013.76	2.96	1.65	25.69	2.75	1917.20
FTSE SmallCap ex IT	2304.01	.....	2303.53	2303.60	2296.43	1987.38	3.12	1.72	23.33	2.86	1941.52
FTSE All-Share	2063.71	-0.1	2066.62	2087.11	2065.27	1829.69	3.58	1.92	18.16	2.16	1792.55

FTSE Actuaries Industry Sectors

	Jan 27	Day's chge%	Jan 24	Jan 23	Jan 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(21)	4074.10	.....	4074.57	4140.64	4074.50	3217.32	3.50	1.71	20.91	0.00	1785.78
12 Extractive Industries(5)	3959.34	+0.1	3956.46	3998.66	3906.94	4111.91	4.09	2.67	11.46	0.00	1180.08
15 Oil, Integrated(3)	4213.01	-0.1	4218.78	4293.69	4226.74	3265.22	3.66	1.55	22.00	0.00	1897.49
16 Oil Exploration & Prod(13)	3482.65	+0.9	3451.26	3486.76	3448.85	2141.03	1.48	1.73	48.94	0.00	2111.44
20 GEN INDUSTRIALS(273)	2032.31	-0.1	2034.10	2040.84	2028.38	2015.90	3.89	1.82	17.65	1.34	1137.87
21 Building & Construction(35)	1328.26	+1.5	1308.17	1289.92	1283.36	1050.98	3.09	1.61	25.11	0.44	1134.58
22 Building Matls & Merchs(31)	1876.37	-0.4	1883.00	1890.88	1878.69	1822.08	4.15	1.39	21.68	0.44	969.95
23 Chemicals(26)	2335.34	+0.6	2321.80	2336.22	2313.88	2426.61	4.42	1.44	19.60	0.56	1133.92
24 Diversified Industrials(17)	1516.56	-0.4	1522.56	1528.50	1513.86	1815.50	4.85	2.27	11.36	4.02	879.56
25 Electronic & Elect Equip(39)	2344.92	-0.6	2359.86	2373.35	2361.85	2268.54	3.33	1.34	28.02	0.18	1245.47
26 Engineering(71)	2611.60	+0.1	2608.43	2612.64	2593.33	2240.54	3.13	2.33	17.10	1.25	1616.75
27 Engineering, Vehicles(13)	2930.15	-1.2	2965.08	2951.01	2966.28	2597.81	3.68	1.71	19.86	0.00	1547.64
28 Paper, Pckg & Printing(27)	2515.91	+0.1	2514.41	2540.18	2542.57	2622.73	4.13	1.79	16.89	0.00	1073.19
29 Textiles & Apparel(14)	1076.48	-0.4	1080.57	1091.91	1086.23	1504.10	6.53	1.28	14.99	0.00	681.12
30 CONSUMER GOODS(86)	3833.11	+0.2	3825.08	3867.31	3781.81	3669.13	3.78	1.85	17.87	7.99	1452.83
32 Alcoholic Beverages(7)	2671.38	-0.2	2676.34	2689.45	2638.22	2861.46	4.83	1.87	13.84	30.14	1000.23
33 Food Producers(25)	2647.94	+0.1	2646.40	2672.79	2652.24	2621.95	4.13	1.76	17.21	5.00	1227.73
34 Household Goods(17)	2653.49	+0.4	2642.45	2642.63	2636.61	2661.92	3.79	2.23	14.80	1.06	1071.36
36 Health Care(17)	2100.05	-0.1	2101.80	2107.65	2100.43	1923.64	2.80	1.94	22.96	3.40	1299.52
37 Pharmaceuticals(18)	5977.65	+0.9	5923.09	6007.81	5791.75	5190.37	2.84	1.73	25.52	0.00	2065.54
38 Tobacco(2)	4047.73	-2.2	4136.91	4188.00	4155.95	4824.17	6.40	2.13	9.17	0.00	1042.36
40 SERVICES(273)	2631.22	-0.3	2638.20	2668.17	2658.93	2294.50	2.85	2.00	21.87	4.48	1397.74
41 Distributors(30)	2979.22	-0.1	2982.10	2982.91	2975.76	2622.49	2.85	2.01	21.77	0.00	1120.05
42 Leisure & Hotels(31)	3364.64	+0.5	3347.47	3349.18	3324.36	2861.20	2.59	2.05	23.49	18.16	1840.54
43 Media(44)	4247.76	-0.2	4256.84	4309.90	4280.04	3640.55	2.17	2.13	26.97	3.38	1557.19
44 Retailers, Food(15)	2033.06	-1.9	2073.44	2187.49	2195.19	1981.37	3.89	2.31	13.91	0.07	1323.81
45 Retailers, General(53)	2027.94	-0.4	2035.45	2049.79	2051.81	1942.45	3.21	2.01	19.37	3.17	1186.46
47 Breweries, Pubs & Rest.(22)	3378.87	-0.2	3384.76	3395.06	3380.39	2893.05	3.21	2.10	18.51	13.49	1665.01
48 Support Services(56)	2887.96	+0.5	2873.65	2882.07	2856.70	1934.52	1.73	2.44	29.58	0.37	1864.61
49 Transport(22)	2758.79	.....	2759.11	2766.02	2759.33	2325.05	3.48	1.23	29.24	6.35	1181.90
60 UTILITIES(30)	2669.74	-0.3	2678.84	2705.11	2679.17	2380.54	5.03	1.70	14.62	3.13	1212.32
62 Electricity(10)	2918.68	-1.4	2959.78	2980.81	2933.90	2689.20	5.94	2.15	9.80	13.53	1607.41
64 Gas Distribution(1)	1517.42	+0.9	1503.86	1524.15	1537.61	1571.02	8.04	0.54	28.88	0.00	830.29
66 Telecommunications(8)	2231.77	-0.1	2234.93	2258.26	2231.85	1932.54	3.74	1.54	21.73	0.00	1053.59
68 Water(11)	2463.99	.....	2463.54	2488.12	2480.21	2085.11	6.04	2.32	8.92	0.00	1425.08
69 NON-FINANCIALS(683)	2122.62	-0.1	2124.84	2146.10	2123.74	1926.45	3.65	1.84	18.67	2.70	1656.68
70 FINANCIALS(107)	3743.77	-0.3	3753.24	3780.50	3749.69	2958.92	3.55	2.35	14.96	0.63	1652.78
71 Banks, Retail(8)	5444.19	.....	5445.89	5525.88	5450.06	4242.14	3.35	2.67	13.97	0.00	1822.34
73 Insurance(19)	1690.85	-1.2	1712.04	1718.87	1709.39	1437.53	4.94	2.30	11.01	0.86	1310.97
74 Life Assurance(7)	4354.97	+0.2	4347.97	4366.21	4325.77	3480.58	3.57	1.78	19.63	0.00	1851.58
77 Other Financial(29)	3057.32	-0.2	3063.14	3063.90	3037.96	2421.82	3.31	2.04	18.47	0.22	1787.31
79 Property(44)	1838.82	-1.0	1857.57	1859.37	1856.58	1447.08	3.46	1.33	27.12	2.05	1163.51
80 INVESTMENT TRUSTS(127)	3236.52	-0.3	3246.35	3271.89	3240.12	3124.33	2.20	1.13	50.40	3.64	1147.72
89 FTSE All-Share(917)	2063.71	-0.1	2066.62	2087.11	2065.27	1829.69	3.58	1.92	18.16	2.16	1792.55
FTSE Fledgling	1288.13	.....	1288.63	1291.31	1286.22	1136.81	3.01	0.44	80.00†	1.88	1372.54
FTSE Fledgling ex IT	1309.28	.....	1309.39	1312.20	1307.90	1133.98	3.29	0.35	80.00†	1.95	1397.29

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4207.0	4215.3	4214.2	4213.9	4223.9	4219.7	4221.0	4216.4	4211.2	4223.9	4206.0
FTSE 250	4588.7	4589.2	4591.7	4591.1	4593.5	4595.2	4595.5	4595.9	4593.6	4596.8	4589.1
FTSE 350	2088.0	2091.2	2091.0	2090.8	2095.0	2093.5	2094.0	2092.3	2090.0	2095.0	2087.5

Time of FTSE 100 Day's high: 11.30 PM Day's low: 9.35 AM. FTSE 100 1996/97 High: 4271.5 (23/01/97) Low: 3632.3 (16/07/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Constrn	1261.3	1262.3	1264.3	1265.7	1274.0	1285.3	1286.2	1285.1	1284.8	[illegible]	1259.9	+24.8
Pharmaceuticals	5882.8	5910.4	5911.1	5917.4	5921.9	5917.4	5917.4	5903.7	5901.4	5902.9	5848.2	+54.7
Water	2448.4	2451.9	2452.4	2454.8	2458.1	2458.6	2458.6	2457.4	2456.1	2456.5	2458.4	+0.1
Banks, Retail	5473.8	5476.8	5482.8	5490.0	5522.3	5519.7	5525.1	5529.6	5509.0	5513.7	5515.4	-1.7

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DELETION: Helene (FTSE Fledgling). NAME CHANGE: Dee Valley Water now Dee Valley (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,100	820	+1½
ASDA Group†	27,100	120¾	-1¼
Abbey National†	2,500	753	-9
Albert Fisher	3,800	42½	-½
Allied Domecq†	3,200	418	-½
Anglian Water	197	619	-3½
Argos†	3,300	640½	+3
Arjo Wiggins	3,700	172	+4
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 27 / Sch)

BELGIUM/LUXEMBOURG (Jan 27 / Frs.)

CZECH REP (Jan 27 / Koruna)

DENMARK (Jan 27 / Kr)

FINLAND (Jan 27 / Mka)

FRANCE (Jan 27 / Frs.)

GERMANY (Jan 27 / Dm.)

GREECE (Jan 27 / Drachma)

ITALY (Jan 27 / Lire)

NETHERLANDS (Jan 27 / Fls)

NORWAY (Jan 27 / Kroner)

POLAND (Jan 27 / Zloty)

PORTUGAL (Jan 27 / Escudo)

SPAIN (Jan 27 / Pts.)

SWEDEN (Jan 27 / Kronor)

SWITZERLAND (Jan 27 / Frs.)

TURKEY (Jan 27 / Tk Lira)

PACIFIC

JAPAN (Jan 27 / Yen)

HONG KONG (Jan 27 / H.K.$)

INDONESIA (Jan 27 / Rupiah)

MALAYSIA (Jan 27 / MYR)

NEW ZEALAND (Jan 27 / NZ $)

SINGAPORE (Jan 27 / S$)

SOUTH KOREA (Jan 27 / Won)

TAIWAN (Jan 27 / TW $)

THAILAND (Jan 27 / Baht)

AUSTRALIA (Jan 24 / Aust$)

AFRICA

SOUTH AFRICA (Jan 27 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 27 / Can $)
4 pm close

MONTREAL (Jan 27 / Can $)
4 pm close

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Prices in US $.

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INDICES

	Jan 27	Jan 24	Jan 23	1996/97 High		1996/97 Low	
Argentina							
General(29/12/77)	(u)	19119.95	19619.52	19871.60	15/1/97	15297.20	22/8/96
Australia							
All Ordinaries(1/1/80)	(c)	2423.0	2434.5	2444.20	20/1/97	2096.10	17/7/96
All Mining(1/1/80)	(c)	952.4	958.0	1118.40	8/5/96	903.80	19/12/96
Austria							
Credit Aktien(30/12/84)	395.55	398.25	398.37	398.37	23/1/97	349.19	6/9/96
Traded Index(2/1/91)	1175.21	1178.96	1186.86	1186.86	23/1/97	976.27	2/1/96
Belgium							
BEL20(1/1/91)	2043.89	2060.61	2075.06	2075.06	23/1/97	1574.90	2/1/96
Brazil							
Bovespa(29/12/83)	(u)	77598.0	78907.0	79049.00	21/1/97	43901.00	2/1/96
Canada							
Metals Minls♦(1975)	(u)	5430.34	5407.11	5824.60	8/5/96	4687.47	18/1/96
Composite♦(1975)	(u)	6033.60	6040.50	6138.80	17/1/97	4739.70	15/1/96
Portfolio§§(4/1/83)	(u)	2971.75	2989.63	3049.11	17/1/97	2327.39	12/1/96
Chile							
IGPA Genl(31/12/80)	(u)	5186.25	5240.40	5884.33	9/1/96	4888.17	18/12/96
Denmark							
CopenhagenSE(3/1/83)	503.87	503.17	506.04	507.99	16/1/97	386.40	2/1/96
Finland							
HEX General(28/12/90)	2707.23	2736.12†	2785.95	2785.95	23/1/97	1681.67	10/1/96
France							
SBF 250(31/12/90)	1652.22	1646.85	1663.61	1663.61	23/1/97	1250.16	2/1/96
CAC 40(31/12/87)	2435.17	2430.34	2461.25	2461.25	23/1/97	1897.85	11/1/96
Germany							
FAZ Aktien(31/12/58)	1039.43	1042.30	1049.35	1049.35	22/1/97	818.56	2/1/96
Commerzbank(1/12/53)	3008.02	3017.80	3040.30	3042.90	22/1/97	2370.10	2/1/96
DAX‡(30/12/87)	2994.53	2998.24	3033.46	3033.46	23/1/97	2284.88	2/1/96
Greece							
Athens SE(31/12/80)	1125.13	1092.31	1080.43	1125.13	27/1/97	872.88	7/8/96
Hong Kong							
Hang Seng(31/7/64)	13294.90	13379.55	13610.33	13868.20	20/1/97	10204.90	2/1/96
India							
BSE Sens.(1979)	3552.74	3435.62	(c)	4069.28	18/6/96	2745.08	4/12/96
Indonesia							
Jakarta Comp.(10/8/82)	684.98	678.90	684.98	686.11	22/1/97	512.46	2/1/96
Ireland							
ISEQ Overall(4/1/88)	2826.40	2834.15	2880.33	2878.75	22/1/97	2234.61	2/1/96
Italy							
Banca Comm Ital(1972)	779.90	783.59	790.45	790.45	23/1/97	572.21	27/3/96
MIB General(2/1/97)	1170.0	1176.00	1188.00	1188.00	23/1/97	981.00	2/1/97
Japan							
Nikkei 225(16/5/49)	17334.90	17689.36	17909.46	22666.80	26/6/96	17303.78	10/1/97
Nikkei 300(1/10/82)	251.04	258.22	259.05	319.70	26/6/96	251.04	27/1/97
Topix(4/1/68)	1326.60	1353.48	1369.75	1722.13	26/6/96	1326.60	27/1/97
2nd Section(4/1/68)	1726.20	1732.86	1737.45	2251.48	2/7/96	1726.20	27/1/97
Malaysia							
KLSE Comp.(4/4/86)	1239.36	1244.13	1241.87	1244.13	24/1/97	993.18	2/1/96
Mexico							
IPC(Nov 1978)	(u)	3680.56	3695.18	3739.58	20/1/97	2738.36	8/3/96
Netherland							
CBS TtlRtnGen(End 83)	788.5	784.5	793.5	793.50	23/1/97	538.50	2/1/96
CBS All Shr(End 83)	462.8	460.5	465.7	465.70	23/1/97	326.70	2/1/96
New Zealand							
Cap. 40(1/7/86)	2393.25	2400.27	2417.80	2440.21	20/1/97	2025.14	7/6/96
Norway							
Oslo SE(Ind)(2/1/83)	1807.35	1817.06	1822.22	1822.22	23/1/97	1259.68	30/1/96
Philippines							
Manila Comp(2/1/85)	3323.10	3332.53	3328.38	3374.49	5/7/96	2578.97	2/1/96
Portugal							
BVL 30(4/1/93)	2442.43	2437.39	2419.49	2442.43	27/1/97	1602.81	2/1/96
Singapore							
SES All-S'pore(2/4/75)	546.81	550.10	551.20	610.37	5/2/96	503.78	21/10/96
South Africa							
JSE Gold(28/9/78)	1375.3♥	1370.4	1353.2	2030.49	29/5/96	1346.40	2/1/96
JSE Indl.(28/9/78)	8043.9♥	8042.8	8093.1	8739.90	25/1/96	7589.90	17/12/96
South Korea							
KoreaCmpEx**(4/1/80)	664.70	679.56	676.51	986.84	7/5/96	611.05	7/1/97
Spain							
Madrid SE(30/12/85)	458.20	464.16	474.66	479.88	21/1/97	323.75	11/1/96
Sweden							
AffarsvarldsGen(1/2/37)	2536.7	2549.10	2567.4	2567.40	23/1/97	1708.80	22/1/96
Switzerland							
Swiss Bk Ind(31/12/58)	2001.82	1998.41	2015.72	2015.72	24/1/97	1516.19	17/1/96
SBC General(1/4/87)	1390.61	1387.39	1399.51	1399.61	24/1/97	1114.47	26/1/96
Taiwan							
WeightedPr.**(30/6/66)	7156.96	7249.01	7219.55	7290.77	22/1/97	4690.22	6/2/96
Thailand							
Bangkok SET(30/4/75)	840.42	848.56	849.17	1416.04	6/2/96	787.47	3/1/97
Turkey							
IMKB Nat 100(1986)	1700.0	1503.00	1352.00	1700.00	27/1/97	388.00	2/1/96
WORLD							
MS Capital Intl$(1/1/70)	813.6*	819.9	826.0	837.20	25/11/96	725.90	15/1/96
CROSS-BORDER							
Eurotrack 100(26/10/90)	2037.64	2038.11	2052.99	2052.99	23/1/97	1504.40	11/1/96
Euro Top-100(26/6/90)	1720.97	1722.70†	1743.86	1743.86	23/1/97	1333.01	11/1/96
HSBC JC Drgn(31/12/88)	(u)	421.34	425.75	429.46	20/1/97	344.19	2/1/96
ING Brngs Emrg(7/1/92)	170.04	170.87	170.22	170.93	20/1/97	147.35	2/1/96

US INDICES

Dow Jones	Jan 24	Jan 23	Jan 22	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	6696.48	6755.75	6850.03	6883.90 (21/1/97)	5032.94 (10/1/96)	6883.90 (21/1/97)	41.22 (8/7/32)
Home Bonds	103.31	103.35	103.54	108.09 (14/2/96)	100.99 (15/7/96)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2332.73	2349.76	2355.23	2355.23 (22/1/97)	1882.71 (18/1/96)	2355.23 (22/1/97)	13.23 (8/7/32)
Utilities	237.63	240.43	240.85	249.85 (22/1/97)	204.86 (30/7/96)	258.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6798.06 (6953.56) Low 6629.91 (6724.18) (Theoretical♣)
Day's high 6769.98 (6906.60) Low 6662.23 (6742.28) (Actual♣)

Standard and Poors	Jan 24	Jan 23	Jan 22	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	770.52	777.56	786.23	786.23 (22/1/97)	598.48 (10/1/96)	786.23 (22/1/97)	4.40 (1/6/32)
Industrials♥	904.61	912.27	922.76	922.76 (22/1/97)	702.07 (15/1/96)	922.76 (22/1/97)	3.52 (30/6/32)
Financial	85.68	86.75	87.73	87.73 (22/1/97)	58.67 (10/1/96)	87.73 (22/1/97)	7.13 (4/9/74)
NYSE Comp.	405.51	409.15	412.80	412.80 (22/1/97)	321.41 (10/1/96)	412.80 (22/1/97)	4.64 (25/4/42)
Amex Comp.	588.16	589.69	590.87	617.81 (22/5/96)	524.20 (16/7/96)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Comp	1363.83	1378.36	1388.06	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Jan 24	Jan 17	Jan 10	Year ago
Dow Jones Ind. Div. Yield	1.89	1.95	1.98	2.24
	Jan 22	Jan 15	Jan 8	Year ago
S & P Ind. Div. yield	1.74	1.78	1.83	1.95
S & P Ind. P/E ratio	24.40	23.84	23.28	18.96

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Pepsico	15,488,800	33⅞	-¼
Micron	11,064,500	32¾	+½
IBM	8,189,400	150¾	-1⅛
AT & T	7,257,900	38½	+½
Gen Motors	6,028,000	62¼	+⅛
Coca Cola	5,106,300	57	-⅛
Home Depot	4,885,200	48½	-1⅛
GEC	4,264,800	101⅞	-2½
Compaq	4,255,200	81¼	-2⅞
Digital Eqp	3,645,600	37	+2¼

■ TRADING ACTIVITY

● Volume (million)

	Jan 24	Jan 23	Jan 22
New York SE	548.935	689.569	589.045
Amex	21.099	28.670	27.683
NASDAQ	739.147	812.439	738.229
NYSE			
Issues Traded	3,313	3,330	3,332
Rises	837	1,131	1,190
Falls	1,711	1,412	1,314
Unchanged	765	787	828
New Highs	62	292	204
New Lows	29	22	21

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Jan	2440.0	2436.0	+7.0	2449.0	2427.0	14,948	23,759
Feb	2445.5	2441.0	+7.0	2453.0	2432.5	3,731	9,068
■ DAX							
Mar	3003.0	3005.0	+13.0	3016.0	2994.0	16,001	-
Jun	3017.0	3018.0	+12.5	3025.0	3009.0	89	-
■ OMX							
Feb	1995.00	1987.00	-2.00	1996.00	1981.00	2,732	26,817
Mar	1992.00	1994.50	+10.50	1994.50	1992.00	20	2,162
■ SOFFEX							
Feb	4123.0	4131.0	+8.0	4157.5	4123.0	3,738	20,809
Mar	4150.0	4136.5	+23.5	4150.0	4143.5	19	759

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	768.80	773.40	+3.85	773.40	771.50	90,087	184,075
Jun	779.20	779.15	+2.15	779.20	779.15	1,732	9,455

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Mar	17540.0	17380.0	-280.0	17680.0	17250.0	26,702	212,151
Jun	17690.0	17330.0	-360.0	17690.0	17330.0	886	34,209

Open interest figures for previous day.

** Sat Jan 25: Taiwan Weighted Price 7212.26; Korea Comp Ex 665.11. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 26 Industrials – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp – 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 27 - 2992.56 +0.92 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, January 27, 1997.

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	6.3m	1,190		Sumitomo Bank	5.0m	1,280	-60
Nippon Steel	6.0m	286	-7	Bk Tok-Mitsubishi	4.8m	1,710	-130
Sakura Bank	5.6m	659	-43	Fujita Corp	4.5m	220	
NEC Corp	5.5m	1,380	-20	Dai-Ichi Kangyo Bk	4.2m	1,190	-80
Fuji Bank	5.1m	1,180	-120	Sumitomo Mt Ind	4.2m	244	-12

4 pm close January 27

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
32	26¼	AAR	0.48	1.8	22	222	26¾	26½	26½	-⅜
46⅛	33	AMP	1.04	2.6	30	5624	40⅛	39¾	39¾	-½
97½	68	AMR			16	2956	84⅞	83⅝	84	-⅞
50½	33¾	ASA	1.20	3.4	23	1091	35⅛	34¼	35⅛	+¾
57⅜	38⅛	AbbotL x	0.96	1.8	22	7845	54⅜	53⅜	53⅝	-⅞
17⅜	12¼	Abitibi Pr	0.40	2.6	8	705	15¾	15⅜	15⅝	-⅛
20¼	13½	ABM Ind x	0.40	2.1	18	252	19⅛	18¾	19	+⅛
22½	13⅞	Acptncele			9	249	19⅞	19¾	19¾	-⅝
61¼	37¾	ACE Ltd	0.72	1.2	9	927	57⅞	56⅜	57⅝	+1
10½	9⅛	ACM Gvt In	0.90	8.8	11	201	10¼	10⅛	10¼	+⅛
7⅞	6⅝	ACM GvOpp	0.36	5.1		23	7⅛	7	7	-⅛
9⅞	8⅜	ACM Man	0.48	5.1		166	9½	9¼	9⅜	-⅛
13⅞	6⅛	Acme Elect				58	8½	8¼	8⅜	
21⅝	13⅞	Acme Mills			14	38	20	19⅝	20	
33¾	27¼	Acordia	0.80	2.9	14	16	28⅛	28	28	-⅛
26¾	12	Acuson				2762	u27⅛	26⅛	26⅛	-¾
21⅛	17⅞	Adams Expr	0.55	2.7	1	118	20½	20⅜	20⅞	
35	10¼	AdvMic			31	9000	32¼	30¾	30¾	-1½
11⅝	8½	Advest Grp			8	47	11⅜	11¼	11⅜	+⅛
26⅛	9⅛	Advo Inc			29	92	12¾	12½	12½	-¼
65⅛	41⅛	Aegon	1.18	1.8	19	333	64¾	64⅜	64⅝	+¼
6¾	3½	Aeroflx				91	4¼	4⅛	4⅛	-⅛
50⅛	40⅜	AES Corp				20	48	48	51½	+⅞
82½	57⅝	Aetna	0.80	1.1	43	5536	75⅞	74¾	74¾	-1⅛
44	28¾	Aflac	0.40	1.0	17	786	42½	41⅜	41½	-⅞
22	17⅛	AGL Res	1.08	5.2	15	261	20¾	20½	20⅝	

Continued on next page

NYSE PRICES

4 pm close January 27

Continued from previous page

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
¶ Dealings suspended.

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AMEX PRICES

4 pm close January 27

NASDAQ NATIONAL MARKET

4 pm close January 27

Dow weak ahead of wages data

AMERICAS

US shares were flat to modestly lower at midsession as investors awaited data on fourth quarter wages and gross domestic product due today and Friday, *writes Lisa Bransten in New York*.

At 1 pm, the Dow Jones Industrial Average was off 10.77 at 6,685.71 while the Standard & Poor's 500 fell by 0.45 to 770.11.

Activity was subdued in comparison to last week's extremely busy sessions. By 1 pm, 243m shares had changed hands.

Technology shares were also modestly weaker with the Nasdaq composite losing 3.19 at 1,360.64 and the Pacific Stock Exchange technology index off 0.2 per cent.

Until recently, most Wall Street economists held that the Federal Reserve was unlikely to raise interest rates at next month's meeting of its Open Market Committee. But some new data showing signs of strength in the economy has led to increased worries about a rate rise.

Some economists believe that a rise of more than 1 per cent in the fourth quarter employment cost index, *to be released today*, could prompt the Fed to tighten monetary policy.

Still, the equity market held fairly stable even as the yield on the benchmark 30-year Treasury crept above 6.9 per cent.

In individual shares, Measurex jumped $10¼ or 42 per cent to $34¼ on news that Honeywell had agreed to buy the company for about $35 per share. Shares in Honeywell slipped $⅝ to $69⅝.

General Motors, which had risen more than 12 per cent since the end of December, slipped $2¾ or 4 per cent to $60¾ after the automobile manufacturer announced a widely anticipated dividend increase and share buyback programme. GM's board voted to raise the quarterly dividend to 50 cents from 40 cents and repurchase $2.5bn worth of shares.

Mobil Oil gained $1¼ at $130¼ after the company reported fourth quarter operating income of $2.20 per share, 23 cents ahead of the mean forecast from analysts.

Meanwhile, Merrill Lynch lost $1¼ at $83 in spite of reporting fourth quarter earnings of $2.27 per share, 31 cents above expectations.

TORONTO edged higher in spite of the early weakness on Wall Street. Conglomerates continued to supply most of the upward drive, and at the noon calculation the 300 composite index was up 3.23 at 6,036.81.

The conglomerates sector rose 1.5 per cent with Canadian Pacific 75 cents ahead at C$37.00. On the downside, paper and forest products showed a loss of 0.7 per cent.

US influences keep tight rein on bourses

EUROPE

Another weak start for Wall Street kept a tight rein on European trading, but most leading bourses managed to cling to the upside.

PARIS stayed positive, thanks largely to a runaway performance from Rhône-Poulenc, which surged FFr8.30 or 4.7 per cent to FFr184.6 in 1.7m traded after Rhone-Poulenc-Rorer, its 68 per cent owned US associate, turned in strong results. The parent company puts out prelims on Thursday.

Carmakers bounced after Renault announced plans to widen its components outsourcing to include more foreign content. Renault rose FFr1.90 to FFr117.2 and Peugeot gained FFr19 or 3.5 per cent to FFr563.

CCF, a strong market lately following a broad re-rating for the banking sector and a broker upgrade, swung into reverse, dipping FFr8 to FFr251 after SGE Delahaye moved to neutral from outperform on the stock.

In contrast, Michelin jumped FFr4.90 to FFr311.5 on an upgrade from Merrill Lynch, which moved from "hold" to "buy" on reduced debt and improving operating margins. The CAC 40 ended up 4.83 at 2,435.17.

FRANKFURT edged ahead in quiet trading with a steep fall for Lufthansa offset by solid gains at Siemens and Thyssen. At the close, the Dax was up 9.92 at an Ibis-indicated 2,992.55.

Lufthansa tumbled 85 pfg or 3.7 per cent to DM22.15. There was some slight disappointment with last year's traffic volume but the main depressant looked to be worries about strike action after next month's ballot by staff.

Thyssen gained DM2.00 to DM292.50 on news that earnings remained on recovery target. Siemens showed clear strength ahead of today's results statement, adding DM1.40 to DM78.58.

AMSTERDAM saw a number of strong performances. Among leaders, KLM continued to soar away on the back of last week's upgrade from Merrill Lynch while PolyGram, weak recently given tough trading and slack demand in the music business, rallied strongly.

KLM jumped Fl 2.10 to Fl 55.90 for a three-session advance of almost 12 per cent. PolyGram rose Fl 3.60 or 4.5 per cent to Fl 83.90. KBB, the retailer, put out a profits warning and promptly slid Fl 10.30 or 9.5 per cent to Fl 112.70.

At the close, the AEX index was up 5.80 at 682.48.

ZURICH saw early gains virtually wiped out on late profit-takin triggered by Wall Street's weak opening. The SMI index turned back from 4,156.8 to close just 1.8 higher at 4,127.3.

In the pharmaceuticals sector, Novartis rose SFr18 to SFr1,508 ahead of today's 1996 sales figures, comfortably outperforming Roche, after its strong performance last week. Roche certificates edged SFr10 higher to SFr11,790.

Winterthur was the best performer among insurers, rising SFr6 to SFr638 after a weekend newspaper report which quoted its chief financial officer as forecasting double digit growth in net profit for 1996.

Cyclical shares were relatively volatile. ABB slid SFr18 to SFr1,727.

STOCKHOLM turned its attention to management changes at the top of three leading companies in an otherwise weaker market which saw the Affärsvärlden index slip 11.4 to 2,536.7.

Volvo dipped initially, before recovering to close SKr3 higher at SKr180 on news that its chief executive, Mr Soren Gyll, was to leave his post but remain a board member. Electrolux rose as much as SKr19 before closing SKr12 higher at SKr436 on news that its chief executive, Mr Leif Johansson, was moving to Volvo and would be replaced by the head of Atlas Copco, Mr Michael Treschow. Atlas Copco slipped SKr0.5 to SKr169.5.

MILAN was dragged back by profit-taking in Eni and Fiat, while Olivetti plunged 8.4 per cent on rumours that the group's systems and services division, a mainstay of the business, had made a net loss in 1996. The Comit index fell 3.96 to 779.90.

Eni fell L135 to L8,815, Fiat lost L105 to L5,270 and Olivetti, a better performer last week after the announcement of the sale of its troubled personal computer business, dropped L61 to L656.9.

Stet gave up L206 to L7,677 as investors switched into the savings stock after Friday's announcement that it would absorb Telecom Italia.

Bulgari lost L1,465 to L29,986 after the company failed to inspire the market with news that 1996 turnover rose by 17 per cent. Snia dropped L107 to L1,775 on news that it was to merge with Snia Fibre.

ISTANBUL soared another 13.1 per cent to the year's 17th record close as hopes of an accelerated privatisation programme after last week's key court ruling opening the way for the Turk Telekom sell-off drew renewed interest from foreign investors. The IMKB National-100 index rose 197 to 1,700 in volume that also reached an all-time high of T£69,480bn.

ATHENS climbed 3 per cent, led higher by a solid advance by the banking sector which, analysts said, had further to go. The general index rose 32.82 to 1,125.13.

Most sectoral indices ended higher with banks up 5 per cent and construction rising 4.4 per cent.

WARSAW closed at a fifth consecutive 33 month high as foreign investors, who began buying the market in mid-December, continued to build portfolios. The Wig index rose 282.3 or 1.7 per cent to 16,910.

TEL AVIV rebounded 2 per cent after two days of losses as investors awaited the Bank of Israel interest rate announcement which came after the market closed. The Mishtanim index rose 4.68 to 236.59.

In the event, the Bank of Israel said that it was lowering its key lending rate for February by 0.5 of a percentage point to an annualised 14.2 per cent, which, analysts said, was in line with market expectations.

Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

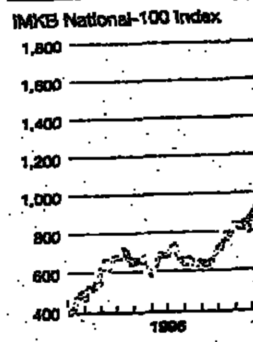
Jan 27 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2042.76	2041.00	2039.22	2038.43	2039.25	2040.53	2039.36	2037.84
FTSE Eurotrack 200	2073.25	2071.02	2070.43	2071.12	2070.45	2072.96	2072.74	2070.13

THE EUROPEAN SERIES

	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20
FTSE Eurotrack 100	2038.11	2052.99	2047.64	2017.21	2035.14
FTSE Eurotrack 200	2076.54	2093.05	2083.27	2053.11	2066.27

Base value 1000 (26/10/90) High/day: 100 - 2042.76; 200 - 2074.04 Low/day: 100 - 2037.47 200 - 2068.94. † Partial.

Turkey



Source: Datastream

Retreating banking sector pulls Nikkei down 2%

ASIA PACIFIC

Heavy selling of bank shares on renewed concerns about the health of Japan's financial sector left Tokyo tumbling 2 per cent, *writes Gwen Robinson*.

The Nikkei 225 average fell 354.46 to 17,334.90 after moving between 17,280.20 and 17,664.60. A steep decline in Nikkei index futures in Singapore in the middle of the day sent stocks plunging on futures-related selling in early afternoon trading.

The fall in index futures was triggered by a market rumour that Mitsubishi Trust and Banking had incurred massive losses in derivatives trading.

Although the rumour was denied by the bank, financial shares retreated sharply in the afternoon, with Mitsubishi Trust and Banking plunging 13 per cent to register the day's largest fall.

Volume shrank from Friday's 398m shares to an estimated 348m. Declines overwhelmed advances 918 to 186 with 151 unchanged. The Topix index of all first-section stocks fell 26.86 to 1,326.60 and the capital-weighted Nikkei 300 was down 5.18 at 251.04.

In London, the ISE/Nikkei 50 index lost 3.47 to 1,313.23.

The banking sector retreated nearly 5 per cent on heavy selling by foreign securities houses. Among the biggest losers were trust banks, led by Mitsubishi Trust and Banking which fell Y150 to Y1,100. Yasuda Trust and Banking, which was among four banks downgraded by Moody's, the credit rating agency, skidded Y33 to Y360. Among the commercial banks, Bank of Tokyo-Mitsubishi fell Y130 to Y1,710. Fuji Bank shed Y120 to Y1,180 and Industrial Bank of Japan Y90 to Y1,520. The three banks hit their lowest levels since the beginning of 1996.

Foreign investors sold steels on weak medium-term prospects for the industry. Nippon Steel fell Y7 to Y286 and Sumitomo Metal Industries Y12 to Y244. In Osaka, the OSE average fell 268.78 to 18,439.05 and volume surged to 85m shares.

By contrast, some blue-chip issues fared well. TDK added Y50 to Y7,370 and Sony climbed Y70 to Y7,830 after reaching a one-year high of Y7,900 following reports last week that the company would enter the digital satellite broadcasting business with Mr Rupert Murdoch's News Corp.

However, car makers and pharmaceuticals declined. Toyota fell Y50 to Y3,190 and Honda Y20 to Y3,150. Yamanouchi Pharmaceuticals fell Y30 to Y2,190 and Dainippon Pharmaceuticals Y30 to Y800.

Janome Sewing Machine, a popular speculative stock and a maker of bath units that keep water heated 24 hours a day, fell Y80 to Y220 on reports that some manufacturers would halt sales of the product due to growing concerns about the health and hygiene of such units.

SEOUL fell 3 per cent on news that President Kim Young-sam's ruling party had agreed to opposition demands for a parliamentary investigation into the financial affairs of the Hanbo Group, the country's 14th largest industrial conglomerate. The composite index lost 20.41 to 684.70 amid concerns that political involvement could only complicate the issue.

Hanbo Steel, flagship of the conglomerate, defaulted on debt repayments on Thursday. Its shares, suspended on Friday and Saturday, fell Won390 to Won4,570 when trading resumed.

BOMBAY surged 3.7 per cent higher on a wave of optimism that the government was about to introduce measures to revive the capital market.

The BSE-30 index jumped 127.12 to 3,562.74 as hesitation by local investors and funds to sell stocks in a rising market, coupled with increased speculative demand, was stoking the rally.

HONG KONG registered its fifth consecutive fall on concerns about the outlook for interest rates and weak US markets. The Hang Seng index lost 84.65 to 13,294.90 after a low of 13,210.59 in turnover that dipped to HK$8.6bn.

Giordano, suspended since January 17, fell HK$1.25 to HK$3.80 when trade resumed as investors unloaded their stakes on uncertainty over the clothing retailer's operations in China.

BANGKOK dipped in thin and narrow trading with the SET index off 8.14 at 840.42 on modest Bt2bn turnover.

Brokers said that the market was sluggish ahead of Thursday's leading economic indicators. Advanced Info Services topped the active stocks list, rising Bt10 to Bt268. Krung Thai Bank came off Bt 1 to Bt51. Ayudhya Jardine CMG Life fell Bt 10.50 to Bt95.50.

TAIPEI moved lower in thin volume, hit by a press report of a possible tightening of money policy. The weighted index shed 55.32 to 7,156.96. At T$48.9bn, turnover was nominal. Paper shares fell most, followed by car and textile stocks.

MANILA ended in negative territory as second-tier stocks continued to hog the spotlight. The main index fell 9.43 to 3,323.10, but eight second-line shares rose by more than 40 per cent after another speculative session.

Most blue chips fell with the exception of Petron Corp which rallied 25 centavos to 10.75 pesos ahead of full industry deregulation.

JAKARTA moved ahead following reports of brokers downgrading their weightings in rival Asian stock markets. The composite index gained 6.07 to 684.98.

Santiago loses 1.4%

SANTIAGO moved lower as hopes for interest rate cuts ran out of momentum.

"The market's diary date for a rate cut was the first quarter of this year. But most observers are now looking ahead to the second quarter," said one leading broker.

At midsession, the IPSA index was off 1.55 or 1.4 per cent at 106.80.

MEXICO CITY was mixed in early trade with an up blip for money market rates keeping a tight rein on sentiment. At midsession, the IPC index had dipped 12.19 to 3,668.37.

Ceramic, the big retailer, headed the list of fallers, slipping 20 centavos to 12.00 pesos on what dealers described as aggressive profit-taking after recent gains.

SAO PAULO clawed back some of Friday's heavy losses in spite of subdued morning trading.

At midsession the Bovespa index had edged back up to 77,880, a 282 improvement.

Johannesburg edges higher

Shares in Johannesburg traded quietly, ending the session marginally higher but with golds off their best.

The all-share index closed up 4.7 at 6,689.3. Industrials rose 1.1 to 8,043.9 and golds, supported by better bullion but watchful of the firmer rand, put on 4.9 to 1,375.3.

Turnover was described as nominal. "All the fun was in the rand and the bond market," said one broker.

Golds, a strong market in the morning, lost much of their shine as the rand moved up. Goldfields dipped R2 to R107. Among industrials, Rembrandt added 65 cents to R42.50, Sappi shed 55 cents to R40.70.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+0.72	+2.94	+10.09	+20.69	+1.24	+6.21
Belgium	+2.53	+8.31	+20.54	+27.29	+6.41	+50.13
Denmark	-0.73	+6.85	+27.37	+36.68	+16.27	+21.97
Finland	+1.86	+11.46	+55.52	+54.57	+31.74	+38.20
France	+0.16	+5.46	+27.46	+33.26	+13.25	+18.80
Germany	+0.06	+5.49	+22.13	+30.33	+9.31	+14.67
Ireland	-1.14	+5.21	+21.90	+25.32	+19.64	+25.50
Italy	+0.90	+20.29	+24.43	+29.42	+23.40	+29.46
Netherlands	+1.02	+5.48	+33.11	+38.54	+15.92	+21.61
Norway	+1.78	+8.56	+37.41	+39.20	+28.67	+34.99
Spain	-2.54	+5.22	+44.60	+49.00	+25.65	+31.61
Sweden	+1.68	+7.48	+48.56	+47.91	+29.67	+36.03
Switzerland	+2.67	+5.48	+26.03	+23.88	-3.25	+1.49
UK	+0.26	+3.07	+12.17	+14.14	+14.14	+19.74
EUROPE	+0.65	+5.50	+22.66	+26.03	+13.24	+18.79
Australia	-0.42	+1.14	+8.90	+9.28	+8.18	+13.49
Hong Kong	-3.34	-1.80	+16.69	+28.31	+22.18	+28.17
Japan	-2.69	-8.33	-13.89	-14.34	-29.15	-25.68
Malaysia	+1.91	+4.96	+17.99	+26.93	+23.40	+29.45
New Zealand	-0.95	+3.16	+16.32	+9.49	+10.67	+16.09
Singapore	-0.17	+5.88	-1.79	+6.31	+1.81	+6.80
Canada	-2.08	+2.11	+26.35	+30.62	+26.03	+32.21
USA	-0.65	+2.07	+24.35	+25.05	+19.20	+25.05
Mexico	-2.14	+9.73	+17.39	+30.65	+22.69	+28.71
South Africa	-1.91	+0.78	-6.19	+5.87	-20.24	-16.33
WORLD INDEX	-0.73	+1.19	+14.46	+16.11	+5.64	+10.82

† Based on January 24th 1997.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY JANUARY 24 1997								THURSDAY JANUARY 23 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (77)	215.66	-0.2	196.32	162.08	182.39	185.67	-0.4	4.11	216.12	196.83	163.31	184.16	186.41	224.81	188.44	186.91
Austria (24)	185.36	0.2	168.73	139.29	156.76	156.65	-0.6	1.83	185.04	168.52	139.82	157.67	157.55	195.04	174.70	185.11
Belgium (26)	233.47	0.1	212.53	175.44	197.46	193.22	-0.6	3.34	233.27	212.45	176.26	198.76	194.32	233.47	203.84	213.54
Brazil (28)	207.08	-1.4	188.51	155.61	175.14	397.83	-1.4	1.52	210.13	191.37	158.78	179.05	403.68	211.61	147.48	155.56
Canada (114)	196.25	-0.6	178.65	147.47	165.98	191.49	-0.1	1.91	197.37	179.76	149.14	168.18	191.77	201.62	152.68	152.81
Denmark (32)	352.21	0.0	320.62	264.67	297.88	297.49	-0.7	1.47	352.08	320.65	266.04	300.00	298.43	365.15	291.30	299.93
Finland (28)	258.53	-1.6	235.34	194.27	218.65	263.51	-2.2	1.89	262.72	239.28	198.52	223.87	269.32	262.72	174.47	178.14
France (92)	213.14	-0.3	194.02	160.16	180.26	183.40	-1.1	2.66	213.84	194.78	161.59	182.21	185.37	215.68	180.72	180.72
Germany (59)	187.70	-0.2	170.87	141.05	158.75	158.75	-1.0	1.58	188.12	171.33	142.15	160.30	160.30	191.17	164.47	168.89
Hong Kong (59)	496.92	-1.7	452.35	373.41	420.27	493.84	-1.6	3.14	505.32	460.22	381.83	430.58	502.10	514.49	402.53	426.29
Indonesia (27)	243.15	-0.9	221.34	182.71	205.64	354.18	-0.8	1.48	245.25	223.36	185.32	208.98	357.18	-	-	-
Ireland (16)	320.67	-0.8	291.91	240.97	271.21	281.50	-1.3	3.26	323.42	294.55	244.38	275.58	285.27	333.22	254.35	257.00
Italy (58)	95.41	-0.9	86.85	71.70	80.69	113.02	-1.9	1.65	96.32	87.72	72.78	82.07	115.20	96.32	70.61	76.39
Japan (480)	115.15	-0.6	104.82	86.53	97.39	86.53	-1.2	0.89	115.89	105.65	87.67	98.75	87.57	164.68	115.15	148.90
Malaysia (107)	628.00	0.0	571.67	471.91	531.13	602.12	0.2	1.03	627.74	571.71	474.34	534.89	601.15	628.00	504.22	517.27
Mexico (27)	1333.12	-1.2	1213.54	1001.78	1127.48	11400.31	-0.8	0.97	1348.83	1228.44	1019.21	1149.33	11487.48	1364.02	1046.55	1192.28
Netherland (19)	331.65	-0.5	301.90	249.22	280.49	276.45	-1.3	2.67	333.39	303.63	251.92	284.08	279.97	338.15	272.32	274.43
New Zealand (14)	92.48	-1.2	84.19	69.49	78.22	70.83	-0.6	3.94	93.57	85.22	70.71	79.73	71.26	95.60	75.94	78.26
Norway (41)	312.20	0.7	284.19	234.60	264.04	276.08	-0.6	1.82	309.91	282.25	234.18	264.08	277.81	318.25	224.41	228.25
Philippines (22)	208.83	0.2	190.10	156.93	176.62	274.13	0.2	0.63	208.47	189.86	157.52	177.63	273.59	-	-	-
Singapore (43)	434.90	-1.3	395.89	326.81	367.82	282.18	-1.4	0.98	440.77	401.43	333.06	375.58	286.05	465.21	371.28	438.69
South Africa (44)	322.42	-0.5	293.50	242.28	272.68	325.05	-0.8	2.43	324.02	295.10	244.84	276.10	327.51	437.76	301.49	434.32
Spain (35)	217.74	-1.8	198.21	163.62	184.15	226.23	-2.3	2.77	221.78	201.98	167.58	188.98	231.65	226.16	161.62	165.57
Sweden (50)	424.54	-0.1	386.46	319.02	359.06	452.91	-0.7	1.96	424.84	386.92	321.02	362.00	456.14	432.49	295.31	300.58
Switzerland (35)	239.50	0.5	218.02	179.97	202.56	208.56	-0.9	1.39	238.30	217.03	180.06	203.05	210.44	254.34	219.29	224.30
Thailand (45)	101.79	0.1	92.66	76.49	86.09	101.90	0.0	3.37	101.70	92.63	76.85	86.66	101.90	183.95	91.23	183.28
United Kingdom (211)	276.05	-1.1	251.29	207.44	233.47	261.29	-1.1	3.78	279.10	254.19	210.90	237.82	254.19	283.17	224.39	228.64
USA (654)	314.19	-1.0	286.00	236.10	265.72	314.19	-1.0	1.86	317.25	288.93	239.72	270.32	317.25	320.60	251.47	252.67
Americas (823)	287.64	-0.9	261.84	216.15	243.27	241.84	-0.9	1.87	290.40	264.48	219.44	247.45	244.10	293.36	220.90	230.84
Europe (726)	238.62	-0.6	217.22	179.31	201.81	214.12	-1.1	2.72	240.07	218.64	181.40	204.56	216.61	242.22	198.39	200.53
Nordic (151)	369.11	-0.2	336.00	277.37	312.17	340.94	-0.9	1.86	369.81	336.81	279.44	315.11	344.05	375.88	265.96	269.62
Pacific Basin (874)	136.62	-0.7	124.36	102.66	115.54	102.60	-1.1	1.39	137.57	125.29	103.95	117.23	103.73	177.01	136.62	161.62
Euro-Pacific (1600)	179.10	-0.6	163.04	134.58	151.47	144.71	-1.1	2.13	180.26	164.17	136.21	153.60	146.35	191.51	176.40	177.73
North America (768)	307.10	-0.9	279.65	230.77	259.73	306.10	-0.9	1.88	310.03	282.36	234.27	264.17	308.96	313.26	245.34	246.48
Europe Ex. UK (515)	213.36	-0.3	194.22	160.33	180.45	190.16	-1.1	2.11	214.04	194.94	161.74	182.39	192.38	215.56	179.04	180.81
Pacific Ex. Japan (394)	315.09	-0.8	286.83	236.78	266.49	273.53	-0.6	2.71	317.75	289.39	240.10	270.75	275.84	320.65	268.97	279.54
World Ex. US (1813)	182.30	-0.7	165.95	136.99	154.18	150.46	-1.1	2.11	183.49	167.12	138.65	156.35	152.11	193.47	177.71	179.66
World Ex. UK (2256)	219.33	-0.8	199.66	164.82	185.50	192.17	-1.0	1.80	221.02	201.30	167.01	188.33	194.13	224.89	199.38	199.38
World Ex. Japan (1987)	279.97	-0.8	254.86	210.39	236.79	267.54	-1.0	2.21	282.31	257.11	213.32	240.55	270.21	283.89	231.01	231.44
The World Index (2467)	224.18	-0.8	204.07	168.46	189.60	197.53	-1.0	2.00	225.98	205.81	170.76	192.55	199.57	228.97	201.97	201.97

Latest prices were unavailable for this edition.